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## Capital Net Gains Computing Them for Income Tax Returns By Max Goldstein

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UNDER revenue acts prior to that now on the Federal statute books, no distinction was made between taxable income arising from everyday business activities and that taxable gain arising out of the sale or exchange of some capital asset. Both classes of income as a whole were subject to the same rate of taxation.

The Revenue Act of 1921 makes a distinction between ordinary net income and capital net gain. Capital gain is the taxable gain resulting from the sale or exchange of a capital asset consummated after December 31, 1921: A capital asset for the purposes of this distinction being considered to be property acquired and held by the taxpayer for profit or investment for more than two years. Excluded from the category of capital assets is property held for personal use or consumption, and stock in trade or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year. Ordinary net income is taxable net income other than capital gain.

The purpose of the distinction is to permit any taxpayer other than a corporation, if that taxpayer so elects, to have the gain from the sale of a capital asset taxed at a flat rate of 12½ per cent. instead of being taxed at the normal and surtax rates generally applicable. Restating the foregoing, any individual having taxable income in the form of gain on property acquired for profit and held for more than two years before dis-

position, either through a transaction consummated individually subsequent to December 31, 1921, or a gain of a similar nature arising under like conditions through the activities of a partnership or an estate, may elect to have such income taxed at a flat rate of 12½ per cent. This election is subject to the limitation that the tax on capital gain so computed, plus the tax on ordinary income at the regular normal and surtax rates, shall not be less than 12½ per cent. of the total net income. It therefore follows that if the total tax computed at the regular (no distinction between ordinary net income and capital net gain being made) normal and surtax rates are less than 12½ per cent. of the total net income the right to have capital net gains taxed separately should not be elected.

An illustration showing a case where the taxpayer would elect to be taxed upon his capital net gains separately is the following:

Ordinary net income	\$ 50,000	
Capital net gain	192,000	
Total net income	\$242,000	subject to
Exemption	2,000	surtax

Income subject to normal tax \$240,000

Instead of paying normal and surtax on the total net income of \$242,000 as follows:

Normal tax	\$ 19,040
Surtax	91,960
Total tax	\$111,000

by electing to have the capital gains taxed separately the ordinary net in-

come of \$50,000 would be subject to the regular normal and surtax rates

Normal tax	\$3,680
Surtax	4,960

Total tax \$8,640  
and the capital gain of  
of \$192,000 tax at 12½  
per cent. or \$24,000

Total \$32,640  
By electing to have the capital gains  
taxed separately the tax is \$32,640 in-  
stead of \$111,000.

An illustration used in the Regulations issued by the Treasury Department of a case where the taxpayer would not elect to be taxed on capital gains separately is as follows:

Ordinary net income	\$ 2,000
Capital net gain	30,000

Total income subject to  
surtax \$32,000  
Exemption 2,000

Income subject to normal  
tax \$30,000  
Normal tax 2,240  
Surtax 1,700

Total tax \$3,940

In this illustration if the taxpayer had elected to have his capital gains taxed separately, his tax could not be less than 12½ per cent of \$32,000 or \$4,000, which amount is \$60 more than the tax computed at the regular normal and surtax rates.

With reference to the two-year period of ownership, stock received as a dividend will be considered as having been held as long as the original investment upon which the dividend was received. Similarly in the case of property which has been exchanged for other property, no loss or gain having been recognized for income tax purposes as a result of the transaction, the property ex-

changed and the property received in exchange will be considered as a unit.

Where the taxpayer has sustained a loss in his business but has capital gains upon which he has elected the right to be taxed on such gains at 12½ per cent., the loss sustained in his regular business cannot be offset against the capital gains.

#### CAPITAL GAINS AND LOSSES

Capital net gain is the total of all capital gains less capital losses and capital deductions. *Capital losses* are losses sustained in the sale or exchange of property under conditions similar to those effective for the computation of capital gains: *Capital deductions* are expenses incurred in effecting the sale or ex-

change such as commissions, legal fees, etc.

While interest, taxes and other carrying charges are usually chargeable against income they may be allocated to a capital gain derived from the sale or exchange of a capital asset to the extent that such current charges exceed the income directly derived from the capital asset disposed of.

Where a taxpayer elects to have capital gains taxed separately he should attach to his return an accurate statement under oath with reference to each capital transaction showing:

- (a) The nature of the capital assets, i. e., real estate, securities.
- (b) In the case of real estate a statement of whether or not it was held as a

residence by the taxpayer or his family.

(c) The date such capital asset was acquired.

(d) The cost; if acquired prior to March 1, 1913, the value of the asset at that date, and the cost.

(e) The selling price and the proceeds realized from the sale.

(f) The computation of the net gain or loss resulting.

(g) Capital deductions claimed, and details supporting deduction.

(h) The final net gain or loss from the transaction.

(i) A summary of all such transactions showing the net total gain or loss.

In closing it would be well to call attention to the fact that the segregation of capital gains from ordinary net income is not obligatory. It can be and should be availed of only when the application of the special rule will result in lower taxes.

## The Declaratory Judgment

By W. Randolph Montgomery

Counsel, National Association of Credit Men

**P**ROVISION in the new Civil Practice Act of New York for the rendering of so-called "Declaratory Judgments," introduces into New York court practice a comparative novelty which should prove of great utility in clarifying contractual and statutory rights and limitations. It has long been the function of the law to redress civil wrongs, the fundamental principle underlying most legislation and litigation being "where there is a right, there is a remedy." But that the courts should, so far as practicable, prevent wrongs by clearing away misunderstandings between parties to written instruments, or between persons whose duty each to the other is obscure, is something, the propriety of which, has, until lately, been denied in this country.

English courts have for many years been invested with power "to make binding declarations of right without granting consequential relief," but the power thus granted has always been exercised in the discretion of the court, and only in cases where there is an actual controversy between the parties as to the construction or validity of an instrument or statute. The situation in which the power to render a declaratory judgment will be exercise, is one in which the judgment or order will

operate as *res adjudicata* between the parties. A merely advisory opinion where there is no *bona fide* dispute between actual parties, will never be given.

Prior to the adoption of the New York Civil Practice Act containing authority for declaratory judgment, a similar act was adopted in Michigan, but in the case of *Anway vs. Grand Rapids R. Co.*, 179 N. W. 350, it was held that the statute attempted to confer on the courts non-judicial power, and was unconstitutional. The opposite conclusion was reached in *Guaranty Trust Co. of N. Y., vs. Hannay & Co.*, decided by the English Court of Appeal in 1915. (1915) 2 K. B. 536. The Michigan decision has been severely criticised on the ground that the case before the court did not come properly within the provision of the act, since there were no existing contractual relations between the parties, and the proceeding was an attempt to obtain judicial opinion as to whether the defendant would violate the provisions of the Hours of Labor Statute, if it should, in the future, permit the plaintiff to work more than six days out of seven consecutive days.

Kansas, too, has adopted a statute designed to permit declaratory judgments in "controversies involving the interpretations of deeds, wills, other instruments of writing, statutes, municipal ordinances, and other governmental regulations, \* \* \*

and this enumeration does not exclude other instances of actual antagonistic assertion and denial of right." The purpose of the act is declared to be "to afford relief from the uncertainty and insecurity attendant upon controversies over legal rights, without requiring one of the parties interested so to invade the rights asserted by the other as to entitle him to maintain an ordinary action therefor; and it is to be liberally interpreted and administered, with a view to making the courts more serviceable to the people.

Declaratory judgments have been handed down by the English courts covering a wide variety of subjects, such as the proper manner of investing trust funds, the legitimacy of a person, construction and validity of wills, contracts, insurance policies, statutes and matters affecting title to real estate. These cases will serve as precedent for our American courts, and when the attorneys and the public have become used to this form of proceeding, many perplexities and uncertainties that stand as obstacles to the progress of business will be cleared away by applications for judgments declaratory of the rights of the parties.

No longer will it be necessary to balance one lawyer's guess or judgment against another's, and risk the entire success of an enterprise upon an unofficial interpretation of an ambiguous contract or statute. Such problems as those which have long perplexed corporation lawyers under the Sherman Act will be susceptible of determination without the necessity of violating the statute first, to learn its meaning and application.

The decision of the first case in New York, asking for this new form of relief, is being eagerly awaited.

## Reading for the Business Man

By J. H. Tregoe

THEODORE N. VAIL, one of the great geniuses that America's industrial life has produced, once declared that the man who did not read widely outside of his own field could never be a big man.

A leading business journal asserted editorially in 1893 that "90 per cent. of all the reading which business men do outside their business papers is for amusement pure and simple."

Possibly the attention lately given to education for business has changed this percentage slightly, but probably only in small degree. The fact that leaders in industry and finance during the war period failed to detect the reactionary economic currents leading directly to depression may be charged to ignorance of economic history.

Now, I have wondered at times why really fine fellows in the credit craft take little or no interest in reading beyond the material bearing upon their immediate work. Is the business game one of merely buying and selling? Is credit merely a matter of opening and closing accounts? Is there not much more to these functions? What makes buying and selling possible? What are the signs to indicate that the time to buy has arrived or the time to sell is at hand?

General and thoughtful reading will bring to bear upon the intricate questions of one's trade or profession a judgment

sharpened for analysis and fit to determine upon the policies that shall rule over business routine. Undoubtedly our reasoning processes are strengthened and quickened by the broader knowledge that comes from wide reading.

Business and credit skill—with an ability to detect underlying currents, economic causes and effects and to determine upon trade ebbs and flows—is derived from study covering a wide field of subjects, and can never be obtained by the devotion of one's time alone to publications or materials dealing solely with immediate questions of the trade or craft.

My observation leads me to agree thoroughly with Theodore N. Vail's declaration, that a man in order to be big must read widely outside of his own field. Good hope for the future lies in broadening the perspective of our people. Wonders will be accomplished if education progresses to such an extent that we find in the hands of the banker good books on history and not merely financial journals; if we find in the hands of the credit manager substantial books, and not merely a journal dealing with some one phase of business.

The broadening of vision of our people, of our business men, of our credit men, by general reading will give them greater happiness in their work, greater facility, directness and accuracy in judgments and a greater joy in living.



# The Credit Interview

Episode in the Career of a Credit Seeking Merchant

By J. L. Brown

Educational Committee, Minneapolis Association of Credit Men

THE following dramatic episode is taken from material submitted to Dr. John Whyte, Director of the National Institute of Credit, by J. L. Brown, Secretary of the Minneapolis Association of Credit Men. This episode is one of twelve which have been presented by the Minneapolis Association. Summaries of these episodes have been prepared for the National Institute of Credit and are now available for local chapters or for educational committees. The idea is one that can be worked out in other cities just as successfully as it has been worked out in Minneapolis. In the words of Mr. Brown—

"Credit Clinics, while recommended for the development of credit knowledge are not intended to supersede technical courses of study, neither is it claimed by the promoters that 'clinics' will make out of an incompetent a real credit man. It is the opinion of students and professionals alike, however, that these clinics test out the theories taught us, while at the same time they distribute among our novices the benefits of costly experience stored up by our predecessors."—THE EDITOR.

SCENE: Credit Department. Professional Credit Manager officiating.

Enters Johnny Jones, an enthusiastic young salesman covering virgin territory in an agricultural section of doubtful resources. Briskly stepping forward with outstretched hand, he familiarly greets the Credit Manager:

JONES—Smithy, old boy! How does the world look to you this morning?

SMITH (ignoring query)—Good morning, Jones! When did you come in?

JONES—Oh, I just blew in—ran into an opening stock order out at Hayville, and to make sure it wouldn't get away from me, I hustled my customer down

here and turned him over to the boss in yonder. I want to tell you, Smith, this is my chance to boost my sales and I mean to make the most of it—Lord knows I need it. This fellow wants to put in a stock of about a thousand dollars, mostly staple groceries, a few fancy items, and a good selection of standard canned goods. He hasn't got much ready cash, but I know he is absolutely all right and you needn't hesitate a minute about approving his order.

SMITH—You know he is all right, eh? Would you mind telling me how you determined this?

JONES—Oh! I quizzed him thoroughly on the train—found out he owns his building, has a good automobile, and stands well in the community. Why to look at that bird is to know he's all right! His face is as honest as the day is long.

SMITH—That may all be true, Jones; but do you know whether or not he owes anything on the store, buys his own gasoline, or has any ability to run a store?

JONES—Well, no, I couldn't say as to that, Smith, but I am so dead sure about him that I wouldn't hesitate to guarantee the account—in fact if you'll O.K. the order I will guarantee it.

SMITH—Now stop right there, Jones, I have heard this guarantee stuff before! Harper & Harper have been in business here for forty-odd years and they have taken some mighty long chances in their time. They are, however, not running their necks into any noose that happens to be open, and that is exactly what you would be doing if you were to guarantee this account on such flimsy representations. Don't let your enthusiasm run away with you, my boy, because when Harper &

Harper can't afford to take the risk in an account, you certainly can't afford to do so either. Let me give you a little more advice, Jones. Don't ever let me hear you mention the word "guarantee" again if you want to promote the interest of your customer. I interpret that word as a sure sign he's N. G. Bring along this customer and let me talk to him.

(Jones withdraws a moment and returns with his customer, whom he introduces to Smith as John A. Anderson, proprietor of the Anderson Merc. Co., Hayville, Bonedry County, N. D.)

(Smith invites Anderson to a chair, offers him a cigar and after a few preliminary remarks about business in general, proceeds to interrogate him.)

Mr. Anderson, I understand you have but recently located at Hayville. May I ask where you hailed from and whether you were in business before?

ANDERSON—Well, I'll tell you. You see I have an uncle who runs a little grocery store here in Minneapolis out near Minnehaha Falls. I worked for him just about eleven years, 'till I saved up purty near \$2700.00, then I tho't it was about time I go in business for myself, so I drives overland in my machine 'till I see Hayville where the wheat stood so big and heavy I was sure farmers must be rich and I stopped right there.

SMITH—Thought it would be easy picking, eh?

ANDERSON—Well, I tho't where there was so much wheat there must be some money.

SMITH—And so you drove stakes at Hayville?

ANDERSON—Yes, I found an empty store building in town big enough for







me, and when I heard the price was only seven hundred dollars, I bought it. There was a little house on the back part of the lot and that came in handy, too, for a home.

SMITH—And so you moved your family out, did you?

ANDERSON—Well, I only had my wife to move and when she heard it was only eight miles to her father's farm, she came on the jump.

SMITH—So I should imagine. Tell me how you managed to get fixtures for your store and have money enough left over to buy stock. You see, Mr. Anderson, Jones told me you had explained to him you were somewhat short of ready cash.

ANDERSON—I should say I was short of cash and not only ready cash either. Well, first I went over to the lumber yard and bought some boards, then I got nails and with the tools I had in my car, and a saw that I borrowed, I built my shelves and counters. They were a little rough and not so nicely finished as some I could buy, but after I got a can of paint and brushed it on, they didn't look so bad. Mary thought they looked fine; and it made me feel good when she stroked my head and said, "Andrew, I am proud of you this day." For a few dollars you could build a whole village. The whole business only costed me forty-eight dollars.

SMITH—That was quite cheap for such complete equipment. Did you get off so easy on the stock, too?

ANDERSON—Well, no. You see I wanted a little of everything in my stock, and after I got an assortment of shoes, a small line of dry goods, work shirts and overalls, I found my money was all gone, and by golly I owed four hundred dollars and no groceries yet!

SMITH—That was kind of bad, wasn't it?

ANDERSON—Yes, I felt purty down-hearted for a little while, but when Mr. Jones came and told me you would take care of me, I felt better.

SMITH—Oh, he promised to fix you out, did he?

ANDERSON—Yes. (Excitedly.) Do you think he didn't mean it?

SMITH—Well, I wouldn't say that exactly, but he surely took a good deal for granted.

ANDERSON—What do you mean "took a good deal for granted?" Can't he give me what groceries I need?

SMITH—Well, possibly he can; but

you see Mr. Anderson, our business is not transacted in just that way. Credit is usually predicated on net worth, and to be perfectly frank with you, I can't see as yet where a line of \$1000 would be justified in your case.

ANDERSON—Ain't my store and car worth something and don't I get anything for being honest?

SMITH—Oh, yes, Mr. Anderson, but you must remember you have made a homestead out of your store premises and you already owe considerably on your stock. Possibly you have other assets, however, that would be of value in determining a proper line of credit. Suppose we get one of our regular statement blanks and tabulated your holdings? We might in that way arrive at something more definite.

ANDERSON—That's all right with me, but you are mistaken if you think I ain't worth a thousand-dollar credit.

SMITH—Come, Anderson! Don't jump at conclusions. I am simply trying to diagnose your case so to speak, and if I can help you, I will gladly do so. By the way, how did you happen to adopt the trade style "Anderson Mercantile Co.?" Have you incorporated?

ANDERSON—No, I am all alone in the business. I just tho't the name would sound bigger, and so I took it.

SMITH—Oh, I see. Now let's take the first item on this statement. Cash on hand: how much do your books show?

ANDERSON—When Mr. Jones asked me to come to Minneapolis, I went to the drawer and counted up \$48.43. I look out \$25.00 for expenses on this trip, and that left \$23.43.

SMITH—All right, how much did your stock inventory?

ANDERSON—Well, all the bills figured up \$1106.17.

SMITH—And your fixtures were \$48?

ANDERSON—Well, that's what the material cost, but they are worth more. My work was worth something.

SMITH—Oh, yes, that's true. How does \$75.00 strike you as an estimate?

ANDERSON—That's better.

SMITH—And your automobile? How much is that worth?

ANDERSON—Well, I paid seven hundred dollars for it, and it is worth just as much now as it was when I bought it.

SMITH—Now how about any other assets.

ANDERSON—Well, I have eighty acres near my father-in-law that I wouldn't

sell for two thousand dollars.

SMITH—Got a deed for it?

ANDERSON—No, I bought it on contract.

SMITH—How much have you got in it—but never mind just yet, we'll put it down for what you claim it is worth. Got anything else?

ANDERSON—No, I guess that's all.

SMITH—All right, now let us hear what you owe—how much on merchandise?

ANDERSON—Four hundred and six dollars.

SMITH—Any of it past due?

ANDERSON—No, not yet.

SMITH—Owing any borrowed money?

ANDERSON—No.

SMITH—Now, how much is against your land?

ANDERSON—Eleven hundred.

SMITH—Any contingent liabilities?

ANDERSON—What does that mean?

SMITH—Did you go good for anybody else's debts—endorse a note or something of that nature?

ANDERSON—I should say not. I never sign any papers for nobody.

SMITH—Any other liabilities?

ANDERSON—No, none that I know of.

SMITH—All right, we'll figure up and see what your net worth is.

(Calculates for a few moments and continues.)

I find you show \$2690.00 as your own, not counting in your exempt property—that is if you get dollar for dollar for it. On that basis a thousand dollar line is certainly strong, but you strike me as being thoroughly honest, Anderson, and I believe you will make a go of it in Hayville, so I'll just go you on that stock order. There's one thing, however, that I want perfectly understood, Anderson, and that is your current bills must be discounted. If you will promise me that, you can go ahead and pick out your goods.

ANDERSON—I certainly will discount them bills, and what is more, you will get all of my grocery business—every bit of it.

SMITH—That's fine. Let's shake on that. (They shake hands.)

ANDERSON—I see Jones is waiting for me out there. Well, I am mighty glad I met you.

SMITH—Yes, Anderson, let us hope we will become very well acquainted with one another as we transact business together. Good luck to you.

EXIT ANDERSON

# The Sane Man at Prague

## How Rasin Rebuilt Czechoslovakia

By Richard A. Charles

FROM any superficial view of conditions in Central Europe, one gathers the impression of chaos, complete and absolute, with no hopeful sign of a turning back by the nations involved to the sounder ways or towards sanity. Germany, Austria Hungary and Poland, continue to issue paper money in quantities that seemingly have no limit, and with each new issue the minute value that still exists is reduced to even lower measure.

Hopeless and sordid as the whole picture seems, there is right in the midst of Central Europe one little state that by contrast stands out in bold relief, one oasis of sanity in a desert of financial madness—Czechoslovakia.

This little state, a portion of the disrupted Austrian-Hungarian Empire, had all the problems to solve, the conditions to face, all the questions to answer, that the nations around her, Germany, Austria Hungary and Poland, had, and also the same means of meeting them. But the results it has obtained are entirely different. While the others have, it would seem deliberately, sown the whirlwind, these fourteen million people have held to sane things and have been putting their house in order. They have been persistently bending every effort to the upbuilding of the new state that was carved out for them. They have laid the foundation in the established principle of the ages, that of sound currency as a prerequisite of business prosperity and national well-being. One cannot but applaud their efforts nor wonder at the blindness of those surrounding countries which have turned their backs on an example of building upward that is succeeding splendidly. It is beyond understanding that they have not applied the same methods to their problems which were from the beginning precisely similar.

The reason may lie first in their not having had such men as Mr. Masaryk, the president, and Mr. Benes, the prime minister, both of whom have contributed much to Czechoslovakia's progress and second to the fact that they had no one so wise, far seeing and courageous as Alois

Rasin, the first minister of finance for Czechoslovakia, to whose knowledge and two-handed methods the great credit for this state's progress to better conditions must be given. Mr. Rasin went to the root of inflation and eliminated it. He set out resolved to stabilize the currency and did stabilize it.

### DEFLATING THE CURRENCY

In February, 1919, Mr. Rasin closed the frontier for three days and ordered all bills (Austrian) in circulation brought to the banks to be stamped. He declared them legal tender of the Czechoslovakian state. On their presentation, however, one-half of all bills presented were withheld, the amount so withheld being made part of a forced loan to the state on which 1 per cent. interest would be paid. This edict was modified later to the very poor to whom some of the bills withheld were returned; but the final result was a reduction of about one-third of the total money in circulation, a considerable step in the way of deflation. His next step was to cut all bank deposits in half, on the obvious theory that by reducing circulation by half he could double the value of the currency in relation to the substantiating security or the "cover" as they call it.

Then, to preclude the possibility of mere printing-press money, he had a bill passed which forbade the issuance of any money beyond the reduced amount unless such new issue should be substantiated by collateral in full of its face value.

To further prevent inflation in any form he had a bill put through parliament forbidding the National Treasury from lending to the State. With his currency stabilized he set about bringing the budget into balance, and *this he accomplished in three years.*

That this principle of stable currency is being held to, is evidenced by the weekly treasury report which shows an increase of 22 per cent. gold holdings since the first of 1922 and a reduction in note issue of about 18 per cent. over the same period, the "cover" to the note issue being something better than 11 per cent. at present.

The result of all this sane, if drastic, reformation of financial affairs has been to change an adverse trade balance of thirty million dollars in 1919 to one of three million in her favor in 1921. This is the result of a maintained parity relation of her index to the exchange value of her money and the value substantiating this money, a condition to be found in no other country of Europe. (All other European countries have adverse trade balances and must continue to have them till the three things, index, exchange and intrinsic value, reflect each other.)

In these reforms only does Czechoslovakia differ materially from the surrounding states. Assuredly she has material resources that are great, but so have they; and it is unjust to attribute her progress to a preponderance of resources.

### OTHER COUNTRIES MIGHT DO LIKEWISE

Were these reforms, or similar ones, applied to the countries that are about her, whose financial methods are now quite dissimilar to those of Czechoslovakia, it is reasonable to expect a like progress and a clearing up of a condition which, barring similar action, must grow rapidly worse.

It might even be possible to put this regeneration into the hands of Mr. Rasin, for to him could be given all confidence in the light of his accomplishments, when to all others it would be given grudgingly and reservedly, since all their efforts have but added to the existing chaos. Make him the economic commander-in-chief for Europe as Foch was made the military supreme command for the Allies! It looks as if something of the kind must come sooner or later. As Foch produced results, so could he.

One circumstance may go far to make the process of deflation in Europe (and by that is meant the reduction of note issue to a reasonable if not exact ratio to gold held) simpler than the deflation that took place in the United States. Since the moneys of Europe were issued without regard for any basis of material or of gold, there will be no frozen credits to thaw out and dispose of before deflation can progress.

# Pitfalls in Selling

## Under Conditional Sales Contract or Chattel Mortgage

By H. G. Wilgus

Intertype Corporation, N. Y.

THE feeling of security enjoyed by those who sell under a conditional sales contract or a chattel mortgage is occasionally rudely disturbed by the sudden discovery that the priority of their claim has been destroyed by a technicality or by a failure to comply with some statute. A loss under such circumstances seems doubly painful because of the frame of mind produced by the notion of being a "preferred creditor."

A popular way of selling goods on the installment plan is by taking a chattel mortgage to secure the payments. Another method is to sell under a conditional contract of sale whereby the title remains in the seller until the purchase price is fully paid. Although a conditional sales contract is safe and very effective in some states, (in certain states perhaps the better plan,) chattel mortgages are more widely used by concerns doing a national business, undoubtedly because of the greater uniformity offered under chattel mortgage procedure.

In spite of the publicity recently given to matters pertaining to chattel mortgages, there are indications of unfamiliarity with certain outstanding features, as is demonstrated by unnecessary losses suffered by some who should have been protected. In this connection there are certain pitfalls that are important and should be carefully avoided.

### LOOK OUT FOR BLANKET MORTGAGE

A seller who takes back a chattel mortgage should look for the existence of a blanket mortgage. Many blanket mortgages are so worded as to cover not only the material already in the possession of the mortgagor but any material that may be added during the life of the mortgage. Whether a mortgage is a prior or sub-ordinate lien depends upon its recording date. Thus a blanket mortgage, already on record, and so written as to include later-acquired property might in some states take priority over a purchase-money mortgage, which at the very best can usually be placed on record only some few days after the property has been delivered.

Everyone who attempts to sell on deferred payments should have access to the recording and filing statutes of the various states. It is highly important that these requirements be strictly complied with. Space does not permit a full discussion of these statutes at this time. The points brought out here are those which are likely to cause trouble notwithstanding a thorough understanding of the recording statutes.

### OBSERVE LITERALLY RECORDING AND FILING STATUTES

For example, where a seller of goods remains in possession it is necessary to place a bill of sale or other document on record to show the true owners' interest, otherwise the possessor can convey good title to an innocent purchaser, or in the case of the possessor's bankruptcy, the goods will become the property of the bankrupt estate. A case recently handled by the writer will illustrate the point:

Several machines had been sold to a concern and it was agreed as a part of the purchase price to turn in a number of old machines in trade. When the time arrived to surrender the old machines the customer asked permission to use them a while longer. This request was granted, the understanding being that rental be paid for the use of the old machines. To protect ourselves we insisted that a formal bill of sale conveying the machines to us be executed. We also requested a written agreement covering the rental of the machines and then placed both these documents on record. A few weeks later the concern in question went into receivership; but our position stood the test of a careful scrutiny by the receiver who sought to find some way of declaring the machines the general property of all creditors.

Had we failed to place on record something to show that we, and not the parties in possession, were the actual owners of the machines, the property would have become part of the general assets and we would have had to take our place in the rank and file of ordinary creditors.

### WHEN DEFAULT IS MADE

Another thing to watch is the manner in which collection is enforced under a chattel mortgage. When default has been made, the seller can sue for the balance due on the purchase price or foreclose the mortgage and repossess the goods. Generally he can not do both. Therefore, should the buyer become financially pressed it is better to rely on the lien and replevin the material. In case suit is brought to enforce payment the lien may be lost and the seller must rely on the "collectibility" of his judgment. This is only natural. When a mortgagee forecloses and attempts to replevin property, he then stands in the position of a conditional seller who disaffirms a sale and reverts title in himself. Where suit is brought for the purchase price the sale is affirmed. A seller cannot first disaffirm a sale and then endeavor to treat the transaction as a sale and sue for the purchase price. The two actions are inconsistent.

### HOW STANDARD MORTGAGEE CLAUSE WORKS

Take another problem: Of course, where goods are sold on long time it is customary for the seller to ask that a policy of insurance be written to cover his equity. Such policies are usually written payable to the buyer and the seller as mortgagee as interest may appear. Even here, simple as the matter seems, we occasionally find that everlasting loop-hole which lurks somewhere and has to be plugged up if we would be thoroughly protected. There is a standard mortgagee clause used on many policies, providing that the mortgagee give notice to the insurance company of the commencement of any foreclosure proceedings. If a loss were incurred under such a policy after a mortgagee had commenced foreclosure proceedings, no notice having been given to the insurance company, the latter could avoid liability or at least place serious obstacles in the way of collecting the claim.

(Concluded on page 40.)



# World Conditions

## Affecting the Extension of Foreign Credit

By G. A. O'Reilly

Vice-Pres., Irving National Bank, N. Y.

Address to the North Jersey Association of Credit Men

THESE are the days of business building, of clearing up, squaring away, putting machinery into condition, getting ready for the push-off into a business period in which we have reason to believe movement will be more free and obstacles less frequent, and problems less difficult than in the past three years or more. There is nothing new about this idea; we have been expressing it in one form or another ever since the signing of the Armistice. That is, we have been talking about a big new start which was about to be made. We were honest, sincere, in these statements, but wrong. We were not ready for a start any more than the city of San Francisco was ready for an effective push-off the morning after the great fire and earthquake. After the Armistice, our first concern was to put out the straggling fires which remained after the big conflagration, the War, had been officially declared ended. But there remained fire everywhere, fire and destruction, and disorganization, and confusion. The effects of such a war are not to be removed from a world of humans in a few weeks or months. A long, trying process must be gone through with before men will see clearly, before men will be ready to forget the hatreds and prejudices engendered by war, before they will be in a position to do justice to the other fellow, which, in the last analysis, means doing justice to themselves and their own interests.

### READY FOR THE START

But now, after this process of cleaning up and eliminating and readjusting has been going on for more than three years, we do actually seem ready for an effective, active start. Again men are seeing with a fair measure of clearness. The alignments and combinations which came into the world through the necessities of war, have lost much of their binding force upon nations or else have yielded to other alignments and combinations which are based upon new necessities, the necessities of peace and progress and prosperity, rather than upon those of war and destruction. To a very general extent,

the perfectly natural business losses which can be traced to the disturbance of war, have been written off. The period of postponed business funerals seems to be nearing an end; inventories have been reduced to something like a tangible working basis; profits generally have been brought within the realm of economic reasonableness instead of being allowed to operate upon a basis of strategic advantage. Business extensions are being carried on with reasonable reference to a continuing business future, instead of upon some theory of large immediate profits with the possibility of a smash in the event of bad guessing. Men are manufacturing and selling and buying and borrowing in a spirit quite different from the happy-go-lucky spirit which characterized business during the War and for some time afterwards. The problems are not all solved, it is true, but we have gone far enough towards their solution to be justified in assuming that a complete solution will be reached. And in this assumption, need be included only a small measure of that profound confidence in the general rightness of things which carried us successfully through a long period in which most of the surface facts of the business ease seemed to run strongly against the theory that things were right and that we were to emerge successfully.

### IMPORTANCE OF THE CREDIT MAN

It would be difficult to characterize too strongly the fact that this change has taken place, and that we are now ready for a start which in its most important essentials, may be considered as new. And it would be difficult, also, to emphasize too strongly the importance of the credit man and credit organization in this new start which we are ready to make, which indeed already may have been launched. For, if this is the time of business building, the credit man essentially is the business builder. He may not be the pioneer in business, there may be others who go before him and open up the business field or enterprise, who map out the ground and design the structure to be erected. But it is the credit man

who expresses the "Yes" or the "No" which decides whether or not the ground shall be utilized and the business structure erected. His is the judgment which determines not only whether action shall be taken but how it shall be taken. *Building is his daily work.* He builds constantly. His function is almost altogether constructive, and this in spite of the criticism of the frequently disgruntled would-be beneficiary who, because his unreasonable ambitions suffer a check as the result of credit scrutiny and judgment, finds in the credit man only an agency which puts a brake upon the wheels of progress.

And the credit man not only builds, but builds freely. He is not hide-bound or narrow gauged. His business consists in taking chances rather than in not taking them. At times, he builds with a degree of freedom which, to the uninitiated, seems almost like recklessness. At others, his building operations are characterized by a degree of caution which, to the uninitiated, carries all the evidences of lack of courage. But build he must, and that almost regardless of the quality of building material available. He will build upon rock, upon clay, upon sand, even; and upon all three he will build safely, but only if he understands the material with which he is building, and upon which he is building. The structure which will rest safely upon a rock foundation may find itself in trouble when subjected to the dangers inherent in clay. And so with the structure built upon clay and the one built upon sand. The credit man not only must know his materials and his foundation, but must have full assurance that the rock upon which he builds today will not turn into clay or sand tomorrow.

### THE SPIRIT OF BUILDING

It seems to me that in times like these, in times of building, world building, the credit man might well be accepted by the nations as typical of the only spirit which can justify the hope which men hold for a reconstructed world, the spirit of building. It is building under difficulties,

(Continued on page 41)

# Modern Machine Billing

## Its Accuracy and Flexibility

By H. P. Reader

Interwoven Stocking Co., New Brunswick, N. J.

**T**HERE is no such thing as a best method of billing for all businesses. The requirements of each business should determine what is the most advantageous method.

What does the modern business man aim to accomplish in the billing process?

### A BIT OF HISTORY

The hand-written entry in the day-book and the single hand-written invoice made from this entry is within the memory of many active business men of today. This method, because of inevitable discrepancies, led to misunderstandings and disputes between sellers and customers. A

page is filled. Billing machines for this work are equipped with devices for holding or spacing in such manner that all writing is brought close together on the day book page but that no invoice will be written on top of another on the day book page.

The term, condensed billing, has been applied because there is brought



1. He aims to give the customer promptly a clear, accurate invoice of the shipment which the customer shall have when the shipment arrives to check the merchandise against and approve it for payment on the due date.

2. He aims to provide for the book of original entry a record that the bookkeeper may post to the customer's ledger a proper charge promptly in order that (a) the condition of the account may be quickly available to the credit department to assist in order checking and (b) that statements may without fail be sent out at stated periods. *This is an important desideratum in credit work.*

3. He aims to furnish a copy of the invoice to the statistical department for its records such as stock records, sales records as against customers, districts or localities, salesmen's records, also lines of merchandise sold, kind, style, etc.

4. He aims when there are branch houses, to furnish them with the necessary record of shipments into their territory, or if shipments are made and billing done by branch houses, the billing is arranged so that branch will advise the home office in a routine way of these transactions.

real step forward was therefore taken when the single copy invoice written in copying ink was evolved for copying into the tissue copy book which became the day book. This step was followed by the use of carbon paper which made possible the writing of both invoice and daybook entry in one operation. Afterwards came the typewriter, and this was responsible for the development of the loose leaf daybook, by the use of which the invoice for the customer and the record in the book of original entry could be made at one writing.

### MODERN METHODS

Under the loose leaf day book system has been perfected what is commonly known as the condensed billing system which has proved to be a great step forward. Under this method a sheet which is to become a page of the day book is put into position in the billing machine with the necessary carbon and held there so that bill heads may be inserted, written upon and removed without disturbing the day book page. This operation may be repeated until the

together in succession on one day book page several invoices, the number depending upon the number of items charged in the various invoices. Not only can the day book page and invoice be written in one operation, but if more than one invoice is required for statistical or for other purposes, the number required can be secured by inserting the additional invoices together with carbon papers.

### THE UNIT SYSTEM

Another development in billing is the so-called unit system which provides an invoice or invoices for the customer, copy for the book of original entry and such other copies as the needs of the business suggests, such as copy for the statistical department, copy for branch house or home office advice, etc. The unit system lends itself readily to either the ordinary typewriter or special billing machines.

### BILLING IN CONTINUOUS SHEETS

There has also been developed a machine to handle forms printed in continuous sheets so that the operator need place forms on the machine

but once a day determined by the life of the carbon which is automatically shifted from one set of invoices to the next set without removing the invoices from the machine. A reservoir is provided under the desk of the operator for any convenient quantity of invoices up to 5000 to 10,000 copies. Under this system the operator can make of each billing as many invoices as may be required for the customer, for posting, for the statistical department or other office requirements.

Depending upon the character of the business, the various sorts of billing methods will be found economical. Condensed billing may be preferable in one case, the unit system in another, and the continuous unit system in still another. Only careful analysis of the needs of the house will determine the best method.

A concern (with which I am familiar) by using billing machines, speeded and simplified the handling of billing work from eighty technical invoices a day on the ordinary typewriter, using two operators working solely at that class of work, to one operator whose work was increased to 125 invoices per day of the same general character.

It is obvious that the invoice blank whether for unit or condensed billing should be of standard size, say 8½ by 11 in., (regular correspondence dimensions for easy filing) and ruled to conform to the order blank as nearly as possible, especially in the feature of standard typewriter or billing machine spacing.

No house should do its billing with regular correspondence style of type. Special billing type should be employed for invoicing as correspondence style of type does not always show up figures clearly on the manifold copies.

#### SPECIAL ADVANTAGES

Some of the special billing machines have various important collateral advantages, such as accumulating through mechanical calculators certain classified data, as for instance, amounts of merchandise of various classes carried on the invoice, also figures that can be used as proof of correct operation in the work of the day.

There is also in condensed billing an important advantage of economy in paper, binder covers, time necessary to affect posting and great economy in safe and vault space for storage. To be able to keep records within small compass is important because the temptation is lessened to store files where they are in danger of destruction by fire or water.

The efficient billing device makes it possible to get invoices into the

mail on the same day. The name and address on the invoices will be so written that they will fold into

"out-look" envelopes, which will assure the bill going to the customer intended.

## Our Honest Customers Suffer When Crooks Get the Better of Us

By H. J. Slezak

Burnham-Munger, Root Dry Goods Co., Kansas City, Mo.

*From a paper read at the 27th Annual Convention of the National Association of Credit Men*

SO much has been said regarding a lowering of morality and an increase of crime during and following the period of the War that such statements are now generally accepted as being true, and we can proceed to the consideration of our particular problem with the knowledge that commercial crime increased in the ratio of the moral decline during the years just past.

Dun's Review is authority for the record of 19,652 commercial failures in the United States in 1921, in which the liabilities amounted to more than \$627,000,000. I find that some authorities estimate that 50 per cent. of all commercial failures are tainted with fraud. This seems very high. When we consider, however, that the above figures do not include a large number of friendly liquidations, we may suppose that the total liabilities of all liquidations during 1921 are very much larger. We have no statistics on the number of these that were conceived in fraud, wholly fraudulent or tainted with fraud.

If the taint of fraud is responsible for a failure and the resultant waste of forced liquidation, I believe we may assume the cost to American business firms in 1921 was at least 10 per cent. of the unrecovered liabilities of the recorded failures. If we estimate that 25 per cent. of the liabilities in the 1921 failures were recovered in dividends, then we find the net loss was over \$470,000,000, of which 10 per cent., or \$47,000,000, was the result of fraud, the loss last year to American business through the operations of the criminally inclined.

#### CROOKS MAKE HONEST COMPETITORS SUFFER

Any man seeking credit has the right to expect that confidence in his character will be reposed in him if his past record is clear, and he likewise places confidence in the house of which he requests credit accommodations. This mutual confidence in American business has been accepted as a promise in the understanding of both parties in arranging for an extension of credit. When, therefore, the crook takes advantage

of this confidence, he not only betrays the trust reposed in him by the credit man but impairs the confidence of the credit grantor in the honest seeker of credit entitled to the full faith won of a clear record. If character is a chief attribute in the successful credit risk, then certainly the responsibility of punishing those, who by a criminal act show a lack of it, lies heavily on the credit department.

#### WHAT WE OWE OUR BEST CUSTOMERS

In the overhead expense of every business is a certain percentage to cover bad debt losses. The price of its product or wares must include this percentage. Does not the operation of the commercial crook place upon the honest customer of your house the burden of a higher price for the merchandise that he buys and pays for in full? Is this honest customer, the backbone of your business, not entitled to your best effort in minimizing this burden on him?

The credit manager is, moreover, a part of the commonwealth in which he resides and under which his firm does business which has prescribed a code for the conduct of its citizens which he as an integral part is bound to uphold. When crime raises its head in defiance of this code, it becomes incumbent on the citizens of the state to preserve the dignity of its statutes. By virtue of his position held, it is upon the credit man that the initiative rests in the punishment of this class of criminals.

I find that the Toledo Convention of 1896 at which the National Association of Credit Men came into being had eight purposes in organizing, one of which was "the prosecution and punishment of fraud." As members of this organization today that declaration comes to us as sacred. The task is peculiarly ours and commands our best attention.

The credit department has seen (1) its confidence betrayed, (2) the property of its firm stolen, (3) the laws of the state under which it does business flagrantly violated and (4) the principles of its own professional association wantonly ignored and abused. It has but one course. How shall it proceed effectively?



I believe there are two most generally effective ways of discouraging the commercial crook: (A) Relentless investigation and prosecution, and (B) absolute refusal of even one minute's time in the nature of credit accommodation to the man who has once made a failure tainted with fraud.

The long and frequent use of the word co-operation has tended to weaken its meaning. The situation calls for absolute unity of the men responsible for the protection of their firms and society from the fraud. The machinery built up by the Association under the able leadership of Mr. West has functioned beyond criticism in so far as the credit grantors of the country will permit it. Always ready to take up the task, its momentum is continually slackened by a lack of the assistance which it must necessarily have from the credit man who has run afoul of a crook. Not only is the financial assistance not always forthcoming but even the help necessary in building and prosecuting a case is not extended. The victimized credit department is necessarily an integral part of every prosecution and our Association's department of Investigation and Prosecution can function only in so far as our members co-operate.

#### OUR INDIFFERENCE HELPS CROOKS

The crook appreciates and depends on this indifference to gain his ends. His whole time and ability are devoted to one purpose: the time and abilities of the credit department are devoted to several thousand accounts. The alluring profits of commercial crime have tempted some members of the legal profession and this coaching adds to the gravity of the situation and renders our united and best efforts more imperative. An organized assault of this nature cannot be effectively met with scattered resistance. The plan of the San Francisco Board of Trade whereby each member concerned in a liquidation is obliged to file his claim with the board is recommended by its enviable record of the past year in fighting crookedness on the western coast. They were forced to assess themselves heavily to prosecute one of their biggest cases when interested eastern creditors manifested apathy. Crime of this nature cannot be attacked with the fullest effect until such indifference is dispelled and every credit department awakes to its responsibilities and co-operates.

I believe the suggestion of the placing of claims in liquidations subject to the request of Local Adjust-

ment Bureaus is worthy of our earnest consideration. These bureaus are the representatives of each of us and are the agency at once at hand to take the place of every credit man at a bankrupt's examination and then and there examine, question and investigate every phase of every fail-

## Credit Conditions in 1911

By J. A. Thompson

Indianapolis Abattoir Co., Indianapolis. IN 1911 the relationship between competitors was not what it is now. Competitors hardly spoke to each other and they seldom belonged to the same organizations. There was a feeling of antagonism between classes of business. The percentage of collections made by drafts was very high.

The profits were much larger than now, and firms could afford to take chances in granting credit—and they certainly did. Though in opening a new account with their competitors, they very seldom turned down an order.

In collecting accounts it was not customary to demand money from the debtor, as it was assumed that there was no obligation on his part. Creditors used to apologize when they asked for money.

As a result their bad debt loss was 2 or 3 per cent. as compared with the 1/20 to 1 per cent. it is now.

All these conditions are changed, since the National Association of Credit Men has built up co-operation among business firms. Credit grantors can get the required information before accepting an order and thus avoid mistakes that brought about important losses.

ure for possible fraud. It is of course the place of the credit man to be there but our live accounts no doubt more profitably demand our time and we must have a substitute. Let us give this substitute in some manner the power of automatic representation.

#### THE LAW'S DELAYS

We are the greatest business organization in the United States and that means in the world, and yet one crooked merchant, with an unscrupulous lawyer, may mock our efforts because of seemingly interminable court procedure. To bring about a reform of procedure is, I realize, a stupendous task. But the opinion of this Association's membership would carry weight in a move for such a reform. Remote, as it may seem, I believe it is within the purview of our present organization to start such a propaganda. The many loopholes by which the recreant may delay and hinder action decidedly lessens the effectiveness of our attack on commercial crime.

In looking for another reason for this large amount of commercial

crime and seeking a means to suppress it, we find the members of our profession all too eager to extend further favors to the man that has defrauded their competitors or even themselves. I have even heard a credit manager express the opinion of a failure's eligibility for credit on the presumption that his failure was profitable and he is therefore a good credit risk for the time being.

An honest merchant, who has made an honest failure, often finds the obtaining of further credit favors more difficult than the man who is presumed to have profited, fraudulently, at the expense of others. If this is true the grantors of credit to such a fraud become accessories to his delinquency and must shoulder some of the criticism.

#### A REPEATER

Within the few years of my experience in handling credits, I have seen one man fail three times in virtually the same location. Each time very little time was lost in placing his wife's name on the window and resuming business as usual. The fact that before his last two failures he bought merchandise and sold it below cost to him was apparently no concern of the courts. It was common knowledge among credit men and yet his shelves are again supplied, now for the fourth time.

The man who has made a fraudulent failure or a failure tainted with fraud is not entitled to any consideration at the hands of credit grantors. He should be held in contempt by any credit man whom he approaches with a request that he be considered again a man of character and a customer of the house on regular credit terms. The honest bankrupt who has surrendered his every asset and walks out of the bankruptcy court penniless finds it difficult to re-establish his credit, while the failure whose illicit profits put him in position perhaps to carry on a fatal competition with this same honest merchant is able to obtain quantities of merchandise from many channels. I believe it will effectively reduce the number of fraudulently tainted failures when credit grantors become a unit in refusing any consideration whatever to such a seeker of further credit.

#### IF LIVE ACCOUNTS TAKE ALL OUR TIME

The majority of us feel that we can be more valuable to our house if we devote our whole time in constructive work on our live accounts. That keeps the credit department fully employed. The suspended ac-

counts receive secondary attention. Most of them are perhaps given for liquidation to an outsider. He seeks to make the greatest possible recovery both for you and himself, but is not concerned in punishing crime except as such punishment or a threat of such punishment recovers more assets and makes the estate more remunerative.

If we agree that the proper realm of the credit department is the live account then we must see to it that a conscientious and active agency aside from the liquidator is established and properly financed to detect and punish fraud. Scattered

representation tends to reduce the search for fraud in failures.

I believe the Adjustment Bureau of the local association of credit men is the best agency through which to work. Having all or a majority of the claims in a bankrupt estate, it is enabled to proceed always with an eye single for indications of fraud. If it finds fraud, it will at once work sympathetically with the Investigation and Prosecuting Committee in its punishment.

I believe therefore in a united effort toward having every failure investigated for fraud with a prompt prosecution when sufficient evidence

to warrant it is found. I believe in using the voice of the thirty odd thousand members of our Association in a propaganda for simplifying and expediting the work of our criminal courts, in bending our efforts towards clarifying and strengthening the statutes under which commercial crime is punishable. I believe in presenting a united front in refusing to consider the request for further credit from any man who has made a punishable fraudulent failure or a failure tainted with fraud. These, in my opinion, are the best means of proceeding effectively against indecency and crime in credits.

## The Why of the Export Managers' Club

By Owen O. Gallup

Simonds Mfg. Co., New York

**B**EFORE the War keen competition characterized the export trade of the United States. The few concerns that had gone into the foreign field were exceedingly jealous of the information they had acquired at a high cost. Not only was there little or no exchange of experiences on the standing and worth of customers but none even on export methods or general policies.

The spirit of co-operation stimulated by the War, however, brought a change among the men who were struggling along alone to build up an export trade. Under the leadership of such men as Walter F. Wyman, Carter's Ink Co.; Harold B. Gregory, Patton Paint Co.; Maximilian Aviles, Cortland Machinery & Supply Co.; John Tower, U. S. Rubber Co.; John Brooks, Pass & Seymour, Inc.; Fred S. Phillips, American Ever-Ready Works; J. A. Cunningham, Welsbach Mfg. Co.; and H. P. Rockwell, Yawman & Erbe, there was held an informal meeting which became known as the Export Lunch Bunch. These men found plenty of troubles to talk over. They found too that they were able as a group to make remarkably accurate deductions regarding the effect of the War upon trade and international finance, which made possible the formulation of policies exceedingly valuable to the houses they represented.

As interest in the export trade grew, other export managers sought to join the Bunch. The result was the creation of a more formal organization known as the Export Managers' Club of New York.

Unlike some business organizations the membership in the club is personal and not a company matter, and each member must be possessed of a personality which will assure his entering into all activities of the club in a spirit of good fellowship, frankness and generosity in the interchange of business experiences and ideas. Furthermore he must be the actual export manager of a manufacturing company so that he shall have not only something to get from his membership but something to give.

There are frequent meetings through the winter season, some of them led by speakers, and other meetings of a purely round table nature. In order to concentrate attention upon special problems the club frequently sends questionnaires to the members in order to bring together individual experiences upon similar problems and to make possible a digest which shall be for the good of all members.

### PAID SECRETARY

The work of the club has developed to the point of requiring a permanent office in charge of a young woman who has been in practical export work with a well known manufacturing house. The club makes a point of working in close harmony with all other organizations formed to promote export trade, such as the Foreign Trade Council and the Foreign Exchange Bureau of the National Association of Credit Men.

The ultimate purposes are to stimulate a more intelligent interest among the manufacturers of the United States in foreign trade and to create a larger sale and demand for American products abroad as well as to maintain the vocation of the expert manager on the highest possible plane.

## Committee Chairmen 1922-1923

**F**OLLOWING is a complete list of the chairmen of national committees of the National Association of Credit Men for the year beginning July 1, 1922.

- ADJUSTMENT BUREAU:**  
C. E. Mann,  
Munsingwear Corporation,  
Minneapolis, Minn.
- BANKING AND CURRENCY:**  
R. G. Prendergast,  
Worden Grocer Co.,  
Grand Rapids, Mich.
- BANKRUPTCY LAW:**  
T. M. Nesbitt,  
Moore & Handley Hardware Co.,  
Birmingham, Ala.
- BUSINESS LITERATURE:**  
A. F. Stepan,  
Western Wholesale Drug Co.,  
Los Angeles, Cal.
- BUSINESS MEETINGS:**  
M. E. Salisbury,  
Salisbury & Satterlee Co.,  
Minneapolis, Minn.
- BUSINESS SERVICE:**  
Guy M. Truex,  
Simmons Hardware Co.,  
Wichita, Kans.
- COMMERCIAL ARBITRATION:**  
M. T. Fleisher,  
Notaseme Hosiery Co.,  
Philadelphia, Pa.
- COMMERCIAL ETHICS:**  
Chas. S. Cook,  
American Brass Co.,  
Buffalo, N. Y.
- CREDIT CO-OPERATION AND CREDIT METHODS:**  
Stanley L. Butler,  
Wayne Knitting Mills,  
Fort Wayne, Ind.
- CREDIT EDUCATION AND MANAGEMENT:**  
G. H. Hargis,  
E. G. Register Co.,  
Dayton, O.
- CREDIT INTERCHANGE BUREAUS:**  
R. T. Graham,  
Pittsburgh Dry Goods Co.,  
Pittsburgh, Pa.
- FIRE INSURANCE AND PREVENTION:**  
E. W. Johnson,  
Miller-Calhoun-Johnson Co.,  
Portland, Ore.
- FOREIGN CREDITS:**  
J. L. Thompson,  
Yale & Towne Co.,  
Stamford, Conn.
- INVESTIGATION AND PROSECUTION:**  
S. J. Whitlock,  
Belding Bros. & Co.,  
Chicago, Ill.
- LEGISLATIVE:**  
H. E. Brittain,  
Pittsburgh Plate Glass Co.,  
Toledo, O.
- MEMBERSHIP:**  
E. B. Adams,  
E. B. Adams Co.,  
Washington, D. C.
- MERCANTILE AGENCIES' SERVICE:**  
Paul E. Hunter,  
L. Erstein & Bro., Inc.,  
345 4th Ave., New York, N. Y.
- ADVISORY COUNCIL:**  
E. S. Boteler,  
G. K. Sheridan & Co.,  
New York, N. Y.

# Formulating Foreign Trade Policies

## An Important Questionnaire and Its Results

By H. L. Kraus

Export Manager, Milwaukee Motor Products, Inc., Milwaukee, Wis.

**D**URING and just after the War, the whole output of the Milwaukee Motor Products, Inc. was more than absorbed by the tremendous home demand and there was neither the ability nor the inclination to go after overseas business. With the slowing up of domestic business, however, the problem of keeping the factory going at full speed became serious and export business seemed worth considering. The officers of the concern, therefore, gave attention to what was said, in trade associations and the business press, of the advantages of export business.

The mass of contradictory information and advice regarding foreign trade prospects and how to handle foreign trade received from all sources was extremely confusing. Rather than enter into the wrong sort of an arrangement the concern was determined to go slowly.

A questionnaire was sent to 100 leading automotive accessory factories, asking for experiences and suggestions covering the many questions which would naturally come up in considering foreign business. The returns were surprising, mainly on account of the diversity of replies and the lack of any uniform policy on the part of the average American manufacturer. When we remember that in the automotive field 20 per cent. of all production is sold overseas, it is easy to figure that a factory without export business is going after but 80 per cent. of its possible market.

### SALES DEPARTMENT QUESTIONS

Now as to this questionnaire. Its first question was whether or not exclusive agency arrangements should be made and if so in what countries? Should shipments be through jobbers direct or through export commission houses in New York?

Only seventeen factories answered favorably the question of exclusive representation to New York exporters. The success of such representation seemed not as great as might have been expected, for ten replied that such exclusive representation arrangements were not working out satisfactorily. One could assume

from the replies that the tendency would be to avoid giving such exclusive agencies wherever possible. No hard and fast rule could be laid down; the answers brought out that the policy in this respect depended to a great extent on the product and on many factors, and whether the articles are to be sold as a unit to the consumer or as a part to the manufacturer.

The questionnaire indicated that meagre use is made of the facilities offered by the Government bureaus. Only fourteen out of one hundred had used the service of the Bureau of Foreign and Domestic Commerce and the American consuls. Twelve of them, however, secured valuable information from these sources. Yet the Bureau of Foreign and Domestic Commerce, through its various connections, has a mine of valuable information available to the manufacturers unfamiliar with exports. It requires merely a letter or a personal visit to the Bureau at Washington or to one of the various branches through the country to solve many of the perplexities encountered by the embryo exporter. Apparently these advantages are being overlooked to a great extent.

### CREDIT DEPARTMENT QUESTIONS

The credit manager of the house had these questions included in the questionnaire:

1. What terms should be extended the foreign customers?
2. What methods should be used to determine credit responsibility of customers?
3. Should the questions in the inquiry blank sent to the customer himself be similar to those used for domestic business?
4. Where could reliable credit information be secured?

The replies to these credit questions showed that many, if not most American manufacturers are not informed as to the method of handling export business. This applies, of course, mainly to small or medium sized houses. Most of the large manufacturers are as well equipped in their export credit departments as they are in their departments of domestic credits.

Three manufacturers insisted on shipping only through New York export houses securing their funds in New York; five extended regular do-

mestic terms to New York export houses; six sold foreign merchants on sight draft when credit references were favorable; a few, entirely too few, give thirty, sixty or ninety day terms.

The sources of information regarding the credit standing of foreign merchants differed greatly. Nine houses used the foreign service of R. G. Dun & Co., four made use of the Foreign Credit Interchange Bureau of the National Association of Credit Men; the rest used national banks, export trade papers, etc.; while most manufacturers, it was found, do not extend real credits overseas.

On one point there was virtually unanimous decision. Twenty-eight houses opposed the use of a credit questionnaire such as is employed in domestic business and only two of them approved its use. The length of time necessary to secure replies to a questionnaire (such as is used in domestic credit work) sent to the customer abroad makes it impractical. Moreover, foreign merchants do not maintain ready records such as American concerns have become accustomed to; they often resent the questions found in the usual credit inquiry form. These foreign customers have not been educated up to the free interchange of credit information and financial data, and little good is accomplished by asking for such information. It must be secured from other sources.

### CREDIT POLICIES IN EFFECT

One nationally known house with its own export manager, declared that "the terms of payment depend on conditions and the markets." It does not use any of the regular sources of credit information, but secures such data from its representatives in the field. Another turns all its business over to a New York export house which passes on the credits, pays the manufacturer, and relieves it of all selling, credit and collection responsibilities. This, however, be it noted, is not exporting. It is conducting domestic business.

Another large house in the Middle West said that it adjusted its terms to meet the customer's requirements,

(Concluded on page 40)





Norvell

Tumle

Dupuis

Tregoe

Baden

Bainbridge

Barker

## A Mistake I Made in Credit Work Which I Shall Not Soon Forget

### Failed to Look up Bonded Indebtedness

By President John E. Norvell

Norvell-Chambers Shoe Co., Huntington, W. Va.

SOME sixteen years ago my firm opened an account with a foreign corporation which was at that time engaged in the development stages preparatory to mining and shipping coal. The manager presented a letter of introduction from which I learned that the chief promoter of the enterprise was a man of known standing in his business community covering a period of many years. This made the situation so clear and convincing that it was not deemed necessary to ask the reporting agencies for a report on antecedents or to get a financial statement.

The account ran along in a satisfactory manner for several years; payments were made with regularity; the volume of business increased. Suddenly, however, without warning, remittances ceased. When asked for an explanation, the manager reported that Mr. Doe was the sole owner of the plant, except for a few shares of stock necessary to qualify his officers and Board of Directors; that he had started this enterprise as a hobby, and that the coal proved to be a "thin vein" and disappointing; that he had lost money continuously from the beginning, and, besides losing all he had, there was a bond issue of \$150,000 secured by the real estate, buildings and equipment of the company, the proceeds of which had also been wiped out. The merchandise stock had been depleted, and there was little left with which to go ahead.

Later developments disclosed that after labor claims had been satisfied, there would be nothing for the merchandise creditors, because the proceeds of the sale of the property were not sufficient to pay the bondholders in full.

Strange to relate, not a merchandise creditor had ever thought it necessary to investigate the possibility of the existence of a bond issue. I plead guilty myself. It was "a mistake I made in

credit work which I shall not soon forget."

A question was recently propounded by the secretary of a financial organization: "What consideration should be given to a mortgage or to bonded indebtedness in a statement analysis?" If this meets his eye, he will observe one of the results or penalties for failure to investigate along this line.

### Misjudging Customer's Backbone

By Director H. F. Barker

Belcher & Loomis Hdw. Co., Providence, R. I.

NOTHING is so hard to measure in credit work as the strength of the debtor's backbone when confronted with the temptations that accompany losses and adversity.

I have fresh before me the case of a young electricity starting out for himself, an earnest, intelligent fellow, an indomitable worker, who knew the technical end of his business thoroughly. To conserve the profits of his young business and accumulate capital, he provided for himself and family mainly by teaching in an evening textile school.

Everybody was impressed by this electrician and believed that he would come through—the salesman who enjoyed a long road experience and had a personal interest in the business secured, the agency reporters and the trained investigator who served a number of associated jobbers.

The financial statements rendered at frequent intervals seemed to bear out these favorable impressions: each succeeding statement told the story of good figuring and the practice of sharp economics. Twenty-four dollars per week was all that was drawn from the business to help provide for the family; house rent was but \$4.50 per week and store rent \$30 a month.

The reputation the young electrician gained through his good work was indicated by the recommendation of the trained investigator, that he go ahead and bid on large contracts such as he had heretofore been afraid to tackle, and let the jobbing interests caring for

him look over the figures. The investigator thought they would then see him through.

But a temporary period of depression came and the electrician was attached for an item of \$200. I notified him as soon as the news reached me to wait till the next morning when we would find a way of adjusting the attachment. He, however, became panic stricken and, on the advice of the constable who served the attachment papers, consulted a lawyer, who advised him that the proper move was bankruptcy by means of which he would cancel his debts and be relieved of the tedious process of working out his problem.

The next morning, the electrician avoided our credit representative. His counsel came asking for assent to his action in filing a voluntary petition in bankruptcy. The electrician, finally located, declared he wanted to do the honest thing but that the lawyer had shown him what seemed the best way out; he was inclined to follow this advice. His schedules were \$5,000 liabilities and \$3,500 assets; but expenses of bankruptcy ate into the assets; and the final sale by the trustee brought but \$1,100 for creditors.

Here was another case where the inclinations seem to be the best possible but firmness and sturdiness of purpose and fixity of resolve were absent.

### The White Waistcoat Peril

By Director L. John Bergman

Pass & Seymour, Inc., Solvay, N. Y.

MANY, many years ago a man of most distinguished appearance walked into my office and introduced himself as John B. Jackson from Chicago. He was in his late fifties or early sixties, of medium height and weight, with an erect carriage, and firm step. He used excellent English. His iron gray flowing moustache, and hair of the same color, combed pompadour, together with his silk hat, frock coat, shepherd plaid trousers with narrow black stripe running down the seam, white waistcoat, wing collar and yellow neck scarf, made Mr. Jackson a most imposing personage.



Bergman

Bethel

Collinsworth

Cree

Davies

Day

Elkus



Fancette

Hall

House

Jordan

Long

Maish

May

"Our business together this morning can be transacted very quickly," he said, as, without invitation, he hung his glossy hat and cane on the costumer and drew a chair up to my desk.

"I am with the Consolidated Adjustment Co. We undertake to collect all of those bad accounts which you have charged off on your books as worthless.

"Our commissions, 50 per cent. of all money collected, may seem high; but I am sure you will not consider them out of line in view of the service we render.

"You have only to send us an itemized and verified statement of each of these old accounts. We will do the rest, reporting from time to time as progress is made.

"There will be a slight advance charge of say a hundred dollars. This is required as a retainer fee or advanced commission and will be refunded within a year as a sufficient number of accounts are collected to equal this amount in commissions.

"Should we fail to collect the required amount within a year the service will be extended without additional charges.

"Here is the contract, Mr. Bergman. I have it drawn in your firm name and you have only to give me your company check and sign on this line. Thank you. Good day."

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Precious hours were spent in bringing to life all of our dead accounts and preparing them for the Consolidated.

I was an easy mark. They never collected a cent for us. I count this experience as my biggest "boner" in credit work and one I shall never forget.

### Always Had Checked Him

By Director C. L. Davies

Ridenour-Baker Grocery Co., Kansas City, Mo.  
SOME years ago I was called upon to pass credit on an order amounting to about \$1000 to be shipped to a merchant in a distant state. The merchant had been on our books for a long while. His occasional slowness had no special significance because it was the usual condition in that territory. Just before receiving the \$1000 order, we had installed a new salesman in this field so that I could not, to any extent, depend upon information from that source.

The order was larger than usual but the merchant owned nothing at the time it was given. In view of his past record I decided to take the chance. The man later liquidated his business.

When he ceased operating, he still owed the \$1000.

Thinking back over the case, my fault was clear. I checked this man because I always had done so; yet I had precious little real knowledge of the man himself and none at all as to what he had to back up his credit. Nowadays, it is easier to get financial statements. I have no doubt that if I had secured a statement, a condition would have been revealed which would have prevented me from placing my approval on this largest order the merchant ever gave my house. My mistake did not make me more cautious, but it made me more determined to know my customers better.

### Weakness in the Knees

By Director Gordon M. Day

Day-Bergwall Co., Milwaukee, Wis.

SOME time ago we had account which I believed to be anything but sound. We collected all the money we had due us from this account with the exception of one bill of about \$300. I had made up my mind not to sell these people again in any circumstances. This is what happened:

Our salesman called upon them and took an order for about \$700, but did not collect the bill which was owing. The man "who had charge of the payment of the account was out of the city." We wrote the salesman that we could not accept this additional order until after the payment of the account in question. A letter such as this came back:

"The order I sent in from the account in question is without doubt as good as gold and you will make no mistake in filling it. You will receive the money on the past due account as soon as the man who pays the accounts returns from out of town."

We were reasonably certain that this would not be the case, but we were weak kneed enough to make up and ship the new order. Whether the man in charge of the payment of the account ever got back or not to his office is a question in our minds, as we are waiting yet for our money for both of the transactions. Where I made my mistake was that I was weak kneed in allowing the salesman to influence my judgment,—which as a general rule is far better when seen from the credit man's standpoint than seen from the salesman's position on the road.

A credit man should always, when he takes action and is reasonably certain

of his stand, maintain that stand. It is never policy when you are reasonably sure of an account to stray from your original position.

### The Moral Factor

By Director Eugene S. Elkus

The Elkus Co., San Francisco, Cal.

THERE was a rather large retail house with whom we were doing business a number of years ago. This concern had made financial statements which were quoted by the agencies showing a very good financial condition from a credit giving standpoint. Information showed that the concern was apparently doing a very satisfactory business and was paying all bills promptly. The only objections to the account were that this firm had made a very bad failure several years before, and the reputation of the owner was not as good as it might be.

Our dealings were very satisfactory; bills were paid very promptly; and the account increased in size. At the time when the account was largest with us, and no bills past due, the concern went into voluntary bankruptcy and it developed into a very bad failure. The lesson taught is that the moral factor is the great outshining element for consideration when the extension of credit is contemplated.

### Taking Myself Too Seriously

By Director David J. Evans

National Lead Co., Chicago, Ill.

PERHAPS I should say that the mistake I have made was in believing that I was immune to break-downs. I know better now.

My greatest mistake in credit work is hard to pick out,—I have made so many! Like numerous other credit men, I was thrown into the work without previous training, and made a mistake immediately in concluding that some invisible but unsurmountable wall divided my department from other departments of our business, particularly the sales department. I was not long in learning that the credit department was and should be part and parcel of the sales department. I now am convinced and believe I can prove beyond dispute, that an efficient, up-to-date credit man can be and should be the star salesman of his house.

Next, I made the mistake of taking for granted the necessity of "legal" help on frequent occasions in collecting past due accounts. While it is true that attorneys and collection agencies



Evans

Murphy

Peoples

Simpson

Snyder

Yeomans

Young

have their places in credit and collection matters, I am now convinced that 75 per cent. of the suits, actions, bankruptcy petitions, etc., are absolutely unnecessary and lead directly to an economic waste of huge proportion.

I also made a mistake in believing that the whole legal fraternity was really highly ethical and sincere in its claims to professional honor and high-mindedness. But a number of somewhat depressing experiences in which vain efforts were made to have the Bar Association discipline, or even investigate, members who had been guilty of practices not only unethical but in some instances even criminal, have made me realize my mistake. For it would seem that "Ethics" in theory and for declamatory purposes are one thing, while "Ethics" for the purpose of up-building and cleansing a Profession, as well as for the protection of the layman, is quite another. Some day I am going to write a "story" on this subject!

The greatest "mistake" of all, probably, was in taking myself and my work too seriously. So many credit men miss entirely the big part of their work! Keeping our noses too close to Dun and Bradstreet and our minds too full of the worries of making them pay, we lose the broader, more important ideals of our Profession. A cheerful letter—a pleasant word—a friendly smile—with courage and sincere square dealing—these are better credit and collection assistants than all the bankruptcy sharks the devil ever let thrive.

### Three Mistakes

By Director J. D. Faucette

Faucette Co., Inc., Bristol, Tenn.

MY greatest mistakes as a credit man are:

First, too much sympathy with the man in a hard place.

Second, an inclination to grant too large a line of credit in proportion to capital invested.

Third, sending ordinary and uncontested collections to an attorney who will charge a suit fee and 15 per cent. and tell you this is the fee agreed upon by the National Law League and approved by certain Associations.

### That Rich Silent Partner!

By Director Vernor Hall  
Dallas, Tex.

IT is my observation that too many credit men fall into serious losses through accepting without careful investigation a salesman's statement that the buyer "has a silent partner backing him who is well fixed financially." The credit man later finds to his chagrin that the so-called partner is in no sense liable and that no evidence can be produced that the silent partner knew he was being held out by the buyer as a member of the firm.

In such cases, the credit man should write the alleged partner before he extends credit to the concern. "I am assured that you are a member of the firm, and I am about to extend credit upon this information unless you inform me to the contrary, etc." This letter should be sent by registered mail and a return receipt demanded. In one state at least, Texas, the burden is thus legally put upon the so-called partner to deny his connection with the firm. If he fails to do so he is in peril of being held liable for the full amount of the credit extended upon such belief.

## Sterner Sense of Justice Needed to Suppress Commercial Crime

By E. P. Tuttle

1st Vice-Pres., National Association of Credit Men  
Atlas Shoe Co., Boston, Mass.

COMMERCIAL crime has been rampant during the past few years to an extent that is only partly realized, and the handicap under which the credit man labors is the law itself. The man who starts out to put through a scheme of fraud against his creditors is successful to an alarming degree. He is aided and abetted by lawyers who are schooled in such practices; and advantage is taken of every technicality known to the legal profession. Courts and judges permit them the fullest leeway. From the business man's standpoint, an unwarranted freedom in raising false issues based upon technicalities, and grant delays, appeals and interpretations of the law which are contrary to business common sense. Too often the decisions of the courts ignore established business customs and practices of many years. It seems sometimes as though the law protects them in their nefarious schemes, instead of being the bulwark and protection we have a right to expect.

A prominent Boston business man said to me recently, in connection with a court decision—which on the basis of sound business principles was manifestly unjust and unfair in that it sustained and countenanced a cancellation for no reason except that the market had gone lower and replacement prices were less when date for shipment came—that each lawyer before receiving his diploma should have successfully passed a course in business common sense. The leniency with which the courts have dealt with these fraudulent bankrupts, imposing sentences which are mild to such an extreme that they constitute virtually no penalty, has encouraged commercial crime.

#### SUCCESSFUL PROSECUTION DIFFICULT

It seems to be almost impossible to prosecute successfully, even though the evidence of fraudulent intent is indisputable, and there is quite a general feeling that it is useless to spend effort, time and money to try to secure justice. Only last year a bankrupt, who confessed to the secreting of a lot of merchandise

for the purpose of defrauding his creditors because we had woven the net so closely around him that he could not escape, told his creditors in a braggart and defiant manner that they could go ahead and prosecute, that he would be in jail but a few days. He cited bank defaulters and those who had been convicted of the gravest crimes and sentenced to from ten to twenty years, who were in jail only a comparatively short time when they were pardoned, and said:

"Put me in jail and I'll be there only a few days."

Lo and behold, he was sentenced to only forty days in jail. We feel that this was a travesty on justice. These instances, altogether too common, set the example for others, and instead of standing in awe of the law and punishment, they regard the courts almost in a friendly manner.

Let me quote from a letter just received from one of the most prominent attorneys in Maine:

"Regarding bankruptcy of ..... I have no moral doubt but that this is a fraudulent bankruptcy; that ..... has put away some money, and that he has destroyed his books; but thanks to the desires of the court to protect innocent people it is very hard to prove any facts that would make ..... criminally liable in the matter. It is almost impossible to prove sufficient facts to show that the receiver of what appears to be a fraudulent preference knew or had sufficient knowledge at the time he received the payment to make it fraudulent on his part and revokable at the action of the trustee or creditors."

I consider that this is a pretty strong admission to come from a lawyer of such standing and prominence. It is an admission that the courts do not recognize how the foundations of business are being undermined by these practices with which they deal so leniently. There must come about a sterner sense of justice from our courts, referees in bankruptcy and district attorneys. Business interests ought to receive the best co-operation from those selected and elected to administer our laws. On the contrary, business justice is handicapped at every turn.

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When aroused by decencies lations, (3) refus (4) ded counts, th The mod to substi operation trust. In ourselves we can la to erect solution substituti tending t let us co Interchar Progress upwards of this co er experi this serv veal wit offenders generally ful fulfil an altern ness rela would s past.

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# Indecency and Crime in Credits Ways of Proceeding Against Them By Isaac Deutsch

Steinfeld Bros., New York

From a paper read at the 27th Annual Convention of the National Association of Credit Men

SOME of us still remember the chaotic conditions which existed in the days prior to the enactment of the National Bankruptcy Law, when preferences were freely granted and business houses sought to enforce collection of their accounts regardless of the interest of other creditors. Recognition of these evils resulted in their eradication.

When we are now thoroughly aroused by the magnitude of the indecencies and abuses of (1) cancellations, (2) return of merchandise, (3) refusal to accept shipments and (4) deducting of unearned discounts, these also will be overcome. The modern tendency in business is to substitute conferences and co-operation for competition and distrust. In free discussion among ourselves about common offenders, we can lay the cornerstone on which to erect a tribunal capable of the solution of our problems. In the substitution of knowledge for fear, tending toward co-operative effort, let us consider the service which the Interchange Bureaus are rendering. Progressive credit men located in upwards of seventy industrial cities of this country are exchanging ledger experiences with one another, and this service could be extended to reveal without fail who the habitual offenders are. If business houses generally would insist on the faithful fulfillment of all obligations as an alternative to discontinuing business relations, the abuses mentioned would soon be tribulations of the past.

## UNFAIR TO OUR BEST CUSTOMERS

Isn't it unfair to expect customers who live up to their obligations to compete with merchants who do not? We owe a duty not to ourselves alone but to the merchants who pay their bills on time and do not take advantage of creditors. Notwithstanding every effort we might make to stamp out these evils, we recognize the probabilities of their continuance though perhaps to a limited degree; nevertheless, this should not hinder our waging vigorous warfare to reduce them to a minimum. Crime continues in spite of police protection and courts of justice, yet no civilized community would consider abolishing these agencies because they have failed as an absolute deterrent to the criminal instinct.



Isaac Deutsch

B., 1882, New York, N. Y. Ed., public schools. Member Bnai Brith, Lions Club. Recreation, gardening, automobile, tinkering, hiking. Favorite reading, current literature business magazines, books on psychology. Bus. addr., Steinfeld Bros., 116 W. 32nd St., N. Y.

Office boy in a newspaper office at fifteen. Stayed six years and learned short hand, typewriting, bookkeeping in the mean time. The year 1914 found him ledger clerk in Steinfeld Bros. Promoted to be head of order department, cashier, efficiency and office mgr., and eventually credit manager.

Formed Group 10 of Interchange Bureau comprising Toy, House and Furnishing trades. Asst. chairman Prosecuting Committee, member of Executive Committee of N. Y. assn. and of Credit Co-operation and Credit Methods Committee. Although a member of the Assn. for many years, has taken active part in the work only last two years.

Let us therefore avail ourselves of the instrumentality of our Interchange Bureaus to discover those who habitually transgress on business decency. Before a movement of this kind can gain momentum, however, a continuance of the education of the credit manager is essential. Those who may scoff at the idea of submitting a list of their customers to an Interchange Bureau as impractical may well remember that but a few brief years ago the thought of close competitors honestly exchanging ledger experiences was considered utopian.

In the elementary thesis of our profession we recognize that character is the cornerstone on which credit is based, yet, isn't it a fact that, in the mad desire to increase our turnover, too much study is given to the details of a financial statement without first considering the character of the individual furnishing the figures?

After a compromise with creditors is effected, a merchant's financial position is usually strengthened and he is therefore a better financial risk than previously. We then freely extend credit which was recently withheld, whether the compromise be fair or otherwise. This places an unfair burden on the honest merchant who pays his bills in full, and encourages others to weaken when conditions so suggest. Let us individually and collectively discontinue putting a premium on dishonesty, by replacing *character* as the first of the three C's in credit granting.

## THE CUSTOMER'S ANTECEDENTS

In checking credit on an initial order, a thorough investigation should be made into the merchant's antecedents, and a failure to substantiate the cardinal principle on which credit is granted should unhesitatingly result in refusal. The fear that our competitor will extend credit to the same party should not militate against our judgment. Although we cannot hope for the complete attainment of our ideals, a move in this direction is urged.

The most effective manner of combating the criminal instinct and reducing the abuse of credit is by educating the credit manager to a higher sense of responsibility than is required for merely the checking of an account and the collection of the obligation. *Let him as a sentinel challenge the moral fitness of those who seek to compete with the customers on whom his house is dependent for its success.* This is the preventive. Whether it be a house long established in business or a new venture, a most searching inquiry should be made into the moral worthiness of the customer.

Since the over-extension of credit and the ease with which it is obtained constitute the basis of fraudulent operations, a constructive, co-operative effort on our part will assist in preventing its growth. Knowledge of common debtors who habitually take advantage of situations can, with a collaboration of individual effort stamp out these indecencies; and investigation and prosecution of fraud will clear the atmosphere.

# The Credoscope

## Our Economic Sense



J. H. TREGOE

Secretary-Treasurer  
National Assn. of Credit Men

WE ARE suffering many discomforts. We are passing through serious movements. We are facing difficult responsibilities. This is largely because on every hand there is a dearth of economic knowledge. One might almost think that with the signing of the Armistice a moratorium of economic sense was declared. We have blundered, we have faltered, we have indulged in all kinds of gyrations, merely for the

lack of leadership founded on economical knowledge. All this indicates the necessity of education in Economics.

Training for business is excellent, and we have many finely trained minds in the Nation's industry. The training, however, is too one-sided. It comprises production and distribution, but usually it does not reckon with the factors that make and unmake business. It is a pitiful thing to see a well-built industry with powerful production and selling facilities, not turning a wheel for the lack of business. Wisdom suggests a wider knowledge of business making and unmaking, of the sacrifices that frequently are so necessary to stimulate and keep free the channels of trade.

Let me illustrate: By this time the wastage of capital and wealth in the war period should have been repaired to a considerable extent. The wastage was so great an immediate and earnest effort should have been made to replace it. Capital is replaced by savings, individual and industrial. Therefore, the governing principle in the immediate post-war period should have been greater efficiency and less spending for non-essentials. What we had was the reverse, less efficiency and more unnecessary spending. The inevitable reaction occurred; and every chapter in the history of the past four years is nothing more than the working out of natural economic laws. Observe the present situation. We have constantly said, "Watch the price." It is as important a slogan for business as the oft-repeated admonition, "Watch your step," for the subway traveller. Price is a barometer by which we may read the business atmosphere. It will tell the movements of trade. Improperly adjusted-prices will lead to inflations, will hold back

recovery. The prices of basic commodities went too low in the reaction, and their coming back was necessary and to be expected. The prices of fabricated commodities, however, should have been held down by the reduction of production costs. The rising of fabricated commodity prices at this time is a bad sign; and the rising of labor costs with no appreciable rise in the cost of living tends to inflation and adds serious problems to present conditions.

The chief elements of industry should understand that mere expediences will carry a dreadful cost many times, and it is better to suffer for a little while for the sake of the future than to give way under pressure and levitate costs and prices to a point where trade will become apprehensive, where it is only natural that buyers should be extremely cautious.

We repeat over and over again, "Watch the price!" Be very careful when in present conditions fabricated commodities begin to soar in price and production costs are controlled.

Economic sense is not sufficiently developed and applied. Every ambitious man in practical trade and in credits should rise to this need and seek an education in Economics. Every industry of importance should have an economic laboratory in conjunction with its financial department, a laboratory where the various elements will be thrown together and the signs of the times interpreted. Until we do rise to this need and consider an education in Economics as a condition to successful industrial and credit management, we will go blundering and pay many unnecessary bills for our mistakes.

## The High Cost of Peace

WE WERE really terrified at the enormous cost of winning the Great War. It has been estimated at approximately two hundred billions of dollars. No strife in history was ever so expensive; and the Armistice came when the complete exhaustion of some of the nations was near at hand. Strange to say, the cost of peace has been even greater; blunders of the post-war years have cost more than the winning of the War. This is a serious reflection on our economic sense and upon world leadership. Is this statement provable? I am sure it is. The blunders are almost staggering. With the coming of peace, armaments should have been reduced. There are many defenses of this thesis.

France's war budget for 1923 is five billions, one hundred and forty-four million francs,—a little over four hundred and fifty million dollars. When the income of France is compared with the income of the United States, this sum would be equivalent to our spending three and a half billion dollars. Imagine

this country spending so vast a sum on a war budget. Yet France will spend in one year a proportionate sum.

If armaments had been reduced, as they should have been, France would not have had to borrow as she has been doing for deficits in the annual budget and to carry on the reconstruction for which she has expected compensation from German reparations. It was a great blunder not to have reduced armaments. It was the emphatic advice of our financial representatives at the Peace Conference in Paris that Germany should and could pay for reparations twelve and a half billion dollars. Our representatives believe this to be a fair appraisal of Germany's liability, an amount that she would be able to pay. The reparation was blunderingly fixed at a much larger sum. Great Britain is now endeavoring to lower the reparations, though Lloyd George, himself, lent a hand in putting them at an impossibly high figure. Lack of good sense in the treatment of this particular problem has helped to bring Germany to the point of collapse.

With a mere scratch of the pen, the indebtedness of the countries that had been sorely devastated, —Belgium, France and Italy,— should have been cancelled. Frank Simonds has recently acknowledged that the indebtedness of these countries to Great Britain and the United States are uncollectible. It would have been better if this had been recognized at the very beginning.

Other glaring blunders have been committed in the adjusting of conditions and the bringing back of a better order of things. The past four years have cost the world more than the entire cost of the War. This fact should arouse us to recognize the need of economic sense in dealing with these big questions, the questions which relate to the happiness of peoples, with their industrial welfare, with their real abilities to live and to prosper. It is seriously regrettable that this enormous peace cost should have been incurred when at least a large part of it could have been avoided by the proper spirit and the proper sacrifices.

### Mass-Psychology

ONE OF the striking facts of modern history is the belief that gradually spread through the German Empire after the turn of the twentieth century that its mission was to civilize the world. This was mass-psychology, almost inexplicable, yet very evident in the then growing belligerency of Prussian sentiment and the Imperial Government.

In an address in Bremen in one of the early years of the century, the Kaiser said, "God has called us to civilize the world; we are missionaries of human progress."

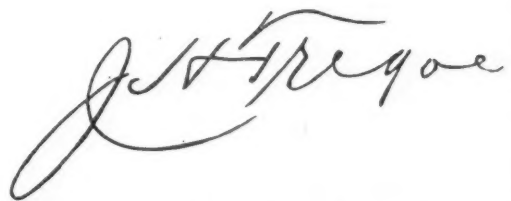
It was this peculiar belief, this mass-psychology,

which revolutionized diplomacy, spread a feeling of alarm over Europe and eventuated in the serious events of 1914. I am confident that the Great War was attributable to this bellicose mass-psychology more than to anything else.

Following our Revolution, there was a strong tendency among the people at large against orderly government. Debtors learned to repudiate their contracts. They did not want a government which would force them to keep good faith. Some of the leaders of the time, particularly Washington, Madison and Marshall, were very much alarmed, and the Secretary of State under the Confederation, Mr. Jay, made the remark that the masses of men were neither good nor wise. The Constitution of 1787 was really brought out surreptitiously. The Convention acted without authority on this particular subject. This period was very dangerous for the future of the Nation.

Immediately after the signing of the Armistice of 1918, there grew a strong resentment against Germany, mass-psychology demanded reparations to the last farthing and the punishment of the war lords of Germany. Lloyd George succumbed to this psychology; and his failure to resist it occasioned some of the serious problems through which we have passed, and that are mainly in the process now of difficult solution.

I speak of this, because in every instance mass-psychology is dangerous unless there is good leadership to neutralize and direct it. It is leadership we are looking for in these days—leadership of a fearless type, leadership that is co-operative and yet will not give way to strain or subordinate its courage to the panic of the multitude. We must co-operate and yet be ourselves. We must not be carried away by the whims of various doctrines. We must know our faith and be true to it, even to the giving up of our lives. We see on every hand disastrous effects of leadership that loses itself in the cry of the masses, that subordinates its conscience to expediency, that is untrue to the highest call and to the real needs of the Nation in its various affairs. It is men we want, men who are big, noble, generous and not afraid to speak their mind, to defy the crowd when the crowd is wrong, to know what is right and live true to it through the stress and strain of all circumstances.





# Have You a Business Budget?

## Three General Classes of Budgets in a Business

By Park Mathewson

Consultant on Business Finance, The Business Bourse, N. Y.

**T**HERE are in general three fundamental questions in business and their corresponding budgets. The questions are:

1. What volume in units and dollars is your goal for the year?
2. What will be the expense (per unit and per dollar of gross business income) in reaching this goal?
3. How are your operations to be financed? (Or, when and what will be your income and outgo in cash?)

If these problems are to be studied systematically and successfully, they must be represented by completely segregated figures, covering each problem and its sub-divisions separately. It will be found that they are most easily handled by having all the figures budgeted under the three fundamental divisional business budgets, viz:

1. The Quota Budget.
2. The Expense Budget.
3. The Finance Budget.

The form used for these budgets or divisions is not important, although it is necessary to have them in such shape that they can be correlated. For instance, after the amount of business to be done is determined or the goal of the year has been set, it can be estimated how much of every dollar of this business is to be expended in the various sub-operations and how much will be left for profit. It is also necessary to consider when and how to plan for the expenditures to accomplish the volume of business, and when the cash returns and profit therefrom may be expected.

### THE QUOTA BUDGET

It is necessary to understand fully that a quota budget can be applied to all the functions or operations of virtually any business. This budget is one of the most important. It is, of course, the first budget to be prepared for the budgetary conferences. The budget fixing the amount of business to be done is that upon which all other budgetary figures rest. If, for instance, the concern purposes to produce, or buy, or obtain for resale, one million units or dollars of goods, it must also have the means and mechanics not only to market this quantity but to obtain or

**THE FOLLY OF TRYING** to conduct one's business without a thorough budgetary control will rarely be disputed. But the inadequacy of a budget system that fails to forewarn in time to apply necessary correctives, is the striking note of the Park Mathewson series running in the CREDIT MONTHLY.

An adequate and intelligible budget system should be the modern credit man's contribution to his business, for none is in a better position to appreciate its value and real necessity.—*The Editor.*

manufacture them and also to administer all the operations in the way of general management, clerk management and finance management. It will be seen, therefore, that the quota budget is applied to all functional divisions and sub-divisions of the business and should be prepared to cover each of them.

A factory man or superintendent is commonly more interested in the number of units of production, or the parts of such units, than in the dollars they represent. For him the sub-budget is made to cover units. It is based on the number of units that will be needed for various purposes. These unit figures of production when gathered in the sub-budget, will show the number of the various units that will be needed for each week or month and the total for the year. The accounting department will reduce these units to dollars and cents for entry in the expense and finance budgets. The extent of the business and its diversification, will indicate how many of these sub-budgets will be necessary before being combined in the final budget of the factory or of the production department. They are then ready to be transferred into the master quota budget in order that the "head" may note the budgeted totals of production for the year.

### SALES OR OUTGO—THE FIRST CONSIDERATION

Under average conditions, as has been said, the sales quota budget is the first to be prepared, since upon it all other estimated operations of the company are based. It is, therefore, important to budget the "sales quota" in the sub-division of sales operations as far as is necessary to get the proper detailed figures to work upon. When the tentative sales quota is satisfactorily arranged and determined upon, it may be checked by the production or purchasing department, to ascertain whether such requirements can be produced.

### PRODUCTION QUOTA BUDGET

The production quota budget covers much ground and needs many sub-budgets to exhibit properly all the figures just as it is found necessary in bookkeeping to employ minor accounts for the proper handling and understanding of the details of a business and for its most effective record and operation.

All division of production or purchasing, are budgeted as to their respective quotas. Some of the divisions are concerned mainly in the number of pieces or pounds that they are expected to produce, while others center on the number of units assembled as a whole. It is necessary that these production quota budgets co-ordinate with the sales estimate or budget as to number of finished units as well as proportion of the sales dollar. In the production budget it is equally necessary to have the quota of the number of machines or the number of operators needed for the quota output. This quota control operates all down the line, such as a quota for lighting, for space, for power, for transportation, etc. Each sub-budget can be easily checked with the others thereby avoiding under- or over-supply.

### MARKETING OR SALES QUOTA BUDGET

This second functional division of the quota budget—the marketing or sales quota budget—has been briefly described and will be covered in detail in later articles, specifically

dealing with its make up and purposes. Like the production quota budget it covers all the functions of the marketing division such as quota of sales by units and dollars, quota of salesmen, advertising or other sales activities and their many sub-heads of budgeted detail.

#### ADMINISTRATIVE QUOTA BUDGET

It is sometimes maintained that it is difficult to prepare quota budgets for the administrative division, since its operations are less specific than those of the production and the marketing divisions. It has been found, however, that there are certain fundamental operations and other conditions which can be used as gauges or scales by which the administrative quotas can be set to cover a desired amount of business. In a small organization or in a well-ordered large organization, it is not difficult to tell the average number of letters, invoices, billings and other "key" operations that have been accomplished each day, week, month or season and approximately how many operators have been employed to perform these operations and how many desks, books, supplies, etc. are necessary to cover a certain quota of administrative functions. The quota budget for the administrative division is important to this division as well as to the other divisions of the company.

#### THE GENERAL EXPENSE BUDGET

As has been well said, the profit and loss in a business is the "meat in the coconut"; and therefore the expense budget is probably the budget which will most interest the majority of business men and bankers. In some ways the expense budget is the most important employed in business, all other budgets being more or less affected by it. Men are in business for the profit they expect to derive, and this profit can only be ascertained after the *expense of doing the business is known*. The expense budget covers the expected expenditures from each sales dollar (or dollar of gross revenue) as well as the percentage which is budgeted as profit on operations. It is therefore important that the expense budget be accurate and that there be ample margin, after providing for expenses, depreciation, interest, profits, dividends, etc.

#### BASIS OF THE EXPENSE BUDGET

The expense of doing business is naturally dependent on such fundamentals as the amount of business that it is proposed to do, the cost of goods, marketing, administration, expense, etc. The expense budget is divided on the usual basis, that is, on the number of articles and the number of sales dollars that it is expected



The one difficulty with the open book account is that often it is impossible to close it.

cCc

The Terrible Turk is on the war-path again. Maybe somebody has been insultin' the Sultan.

cCc

Even so, however, it was probably all Greek to him.

cCc

Time and tide wait for no man, but it's a long ten days when some cash discounts are deducted.

cCc

America's first settlers, having only such incidental difficulties as wild Indians and wolves to contend with, trod an easy path in comparison with our modern strike settlers.

cCc

The printer and the credit man have the same types in common; but the credit man endeavors to select only the Elite and ignores the bold-faced Pica.

cCc

The Association membership manager announced recently that his department was preparing for a big Fall. Explanations are in order.

cCc

From present indications the only heated things this Winter will be the arguments in Congress.

cCc

This seems logical as Congress will no doubt be roasted by a freezing public—that is, of course, freezing everywhere except under the collar.

## OUR OWN SHIP NEWS

NEW YORK, Sept. 20.—The S. S. Jugo Rum docked yesterday at her pier in the Yeast River. Captain Wilson Thatsall reported a rough and wet trip from Cuba and stated that off Hatteras the wind reached such velocity that it blew a cock-tail shaker off the bridge.

The passenger list contained the names of several prominent business men among whom was John A. Fish, of the firm of Poor, Fish & Co. Mr. Fish has been in Cuba in the interests of his firm. He stated that conditions on the Island were improving rapidly and prospects for a bumper crop of sugar excellent, with mills grinding over a million lumps a day. Sugar growers, he went on to say, are placing great faith in the American iced-tea industry and are keeping the pulverisers working overtime.

According to Mr. Fish, General Chowder has outlined an excellent economic schedule for the Island and Cubans are deeply grateful for his efforts. Their appreciation has been shown by the naming of a brand of cigarettes after the General.

"That merchants are now buying lottery tickets is a sure sign that they will soon start taking care of their obligations," Mr. Fish concluded, "and Cuba is unquestionably due for a rapid recovery."

Mr. A. Boyle Degg, of the Overnight Export Co., was also a passenger returning from a business trip to the Island. Mr. Degg, when interviewed, stated that conditions in Cuba were going from bad to worse.

"The sugar industry is absolutely shot to pieces," he said. "Cane fires and the Wog-wog bug have practically demolished the crop and sugar growers are committing suicide daily."

He went on to say that the high tariff on this commodity had ruined any chances Cuba had of financial recovery and stated further than Senor Zayas was looking around for some other island to be president of. When asked his opinion of General Chowder's work, he stated that it was all right from our standpoint but was far from being appreciated by the natives.

"The General is the most unpopular man in Cuba," Mr. Degg went on to say. "Society ladies thumb their noses at him in the street; and a brand of cigarettes was named after him only with the hopes that he might smoke one of them."

Merchants are squandering all the money they have on lottery tickets according to Mr. Degg, and when they win—buy more tickets. He expressed the opinion that American exporters would be tripping over their whiskers before they collected from Cuba and stated emphatically that the Island was headed straight for the financial scrap heap.

Mr. S. Oaket Upp, a well known man about town, was also among the passengers. Mr. Upp had been in Cuba for his health and stated that a bad case of water on the knee had been completely cured merely by cutting off the source of supply. When asked his opinion of Cuban conditions, Mr. Upp stated that he didn't know there were any as he had always been able to get all he wanted right over the bar.

Mr. Upp when further questioned as to the sugar crop, made this comment: "Now that I think of it, they do raise sugar in Cuba; but the golf club isn't far enough in the country for me to give any opinion as to the crop."

B. B. T.

ed to handle in the budgeted period, and proportionately the percentage of expense in the production, marketing and administration of the gross business and the balance for profits, as more particularly described in later chapters. It is necessary in this budget to ascertain how large a slice of the sales dollar, the production division is going to absorb, how much the marketing division will need and how much the administrative department will cost per dollar of income, and what will be the residue from each dollar, representing the profits "pie of the pie."

It is, therefore, apparent that the same principles apply to the expense budget as to the quota budget, that each functional division of the business has its own general expense budget and sub-budgets, all finally brought together in the master expense budget for the consideration of the general management, the directors and executive heads. Later chapters will take up the benefits resulting in each division of the business, from having graphically brought before them the fact that every penny added to its "slice" of the expense will deduct that many pennies from the final portion which they are all striving for, namely, the profits.

#### THE FINANCE OR CASH BUDGET

Of all the forecasts or budgets, the benefits accruing from the finance or "cash" budget are the least understood in general business. It is a sort of axiom that if the marketing department produces the sales, the manufacturing or buying department will produce the goods, and that the office department will take care of the "details", and it is therefore merely up to the treasury department to furnish the funds for the appropriations to cover costs. It is taken for granted that there should be little or no trouble in financing as long as the business as a whole is functioning and flourishing.

It is quite true that without the necessary marketing or the necessary production or handling of details, the treasury or finance department would have little or nothing to do. It is equally true that where the other departments function satisfactorily and good sales are in evidence, where production, marketing and administration are properly and profitably handled such a satisfactory condition will go a long way toward helping the treasury department in its financing of the business. It is, however, generally conceded that without pre-judgment in the sales department, in getting the right salesmen, dividing the territory cor-

rectly, and employing necessary advertising, the sales campaign of the year will not be 100 per cent. successful. Similarly, without the careful buying of the materials, preparation of machinery, labor, etc. by the production or purchasing department, the goods would not be forthcoming at the right time. So with the finance department it is also a fact that, unless it can obtain a comprehensive view of coming financial needs of the company, it will not be able to function satisfactorily and, through unpreparedness, may fail to function at a critical moment, to the ruin of the whole business.

When it becomes apparent to the production manager that the treasury department may not be prepared to furnish the funds for necessary materials, or to the marketing department that salesmen's salaries and expenses, or advertising, require cash well in advance of the billings, it becomes obvious to all that the treasury department requires a knowledge of these needs well ahead of their employment. A careful *finance budget* or *estimate*, not only of the outgo, but the income and the exact time of the need of each dollar of cash, is a fundamental and valuable procedure for each division and for the business as a whole as well as for the treasurer. The realization of the full functioning of this budget results in closer co-operation and better co-ordination in the various departments.

#### WHEN A BUSINESS IS GROWING RAPIDLY

The finance or cash budget is coming to be regarded as increasingly important, especially as a business expands. It is of concrete value where a business is growing faster than its capital, as this produces a dangerous condition which may bring down the whole structure, owing to *over-prosperity*, or too great sales and larger production than can be financed. An example will illustrate this point:

The writer was called into consultation by a nationally known mid-west manufacturing concern which was badly afflicted with "growing pains" in the financial portion of its business-body. He was proudly told, "We budget our business". A commendable budget system had indeed been installed covering the production and marketing divisions for both quota and expense control. It had never occurred to the management, however, that a *finance budget* was particularly necessary where the business was *expanding rapidly* through efficient production and marketing methods. The business had doubled for two or three years suc-

cessively, but no adequate capital arrangements had been considered or budgeted. The treasurer had merely relied on getting additional accommodations from the *one bank* with which the corporation had grown up, but which had become restless under the company's increasing calls for discounts and accommodations. The finance budget prepared for this corporation revealed that it was necessary to buy raw or partly finished materials sometimes ten months before the goods were shipped or the bills became due. Trade terms were 10 to 60 days, and three-month bank loans did not carry the debt until the goods could be realized upon. The result had been a haphazard, patchwork system of taking extra time on purchases, wherever possible and then "settling" with notes where they would be accepted, renewing bank loans and even hypothecating merchandise accounts, at a cost of around fifteen per cent. to eke out the day to day program of "finance."

When the finance budget and "tentative balance sheets" clearly demonstrated to the president and treasurer the necessary cash outgo and income based on the proposed schedule of business to be done during the next twelve months, the need of drastic changes and heroic plans to carry through the proposed program was clear. The recommendations to enable the concern to carry out the finance budget included the following:

1. Changing a good part of the bank accommodations into permanent working capital by financing through preferred stock.
2. Making of two additional banking connections to facilitate adequate bank loans, and thus doing away with "hooking" the merchandise accounts.
3. Establishing a system of both paying and collecting accounts by trade acceptances.

These comprehensive finance plans greatly contributed to the faithful carrying out of the finance budget, by its proper functioning, tended to put the whole business on a practical financial footing. Without the *practical picture* of future needs furnished by the budget, this might never have been accomplished and ruin would have resulted.

#### CO-OPERATION OF ALL DEPARTMENTS UNDER FINANCE BUDGET

The administrative, marketing and production divisions, once they are operated under the full budgetary system, work in harmony in furnishing the exact data to the finance department as to when they will need to expend money for materials, labor, men, etc. Furthermore, the production and marketing department figures show when the goods will be produced and shipped and when the



money should be collected. This information, as made available by the finance department gives it the most complete data for efficient and safe operations.

#### "BOGEY" BALANCE SHEET FROM BUDGETS

An interesting development from the general budgeting of business as previously outlined, is the possibility of working out a proposed, tentative, or "bogey" balance sheet and profit and loss statement three, six or even twelve months in advance and working toward it by careful periodical comparison. The value of this financial forecast and check-up has been recognized not only by careful finance managers in business, but by some of the forelooking commercial banks which, in this way, can anticipate their customers' financial needs and even suggest to a firm from the bank's wide experience, the most beneficial cash and credit procedure well in advance of its needs. This tentative or budget balance sheet has even indicated forehandedly the need of *permanent finance* such as the sale of securities, in ample time to handle commitments advantageously.

#### BUDGET PLANS APPLICABLE TO ANY BUSINESS

There is nothing in the foregoing which is not applicable to any average American business house. As there is much advantage in having the budgets uniform and standard year by year, it is extremely important to consider and plan carefully the various divisions of the first budgets, as well as the sub-divisions of the various departmental budgets, the production quotas, expense budgets and financial forecast of cash needs.

The best basic plans are obtained, of course, if this is done under advice from a budget expert or accountant, who is thoroughly familiar with approved methods and usages of the budget system. However, principles and procedure as well as specific plans and forms, will be outlined as we proceed with this series. They should enable any moderately efficient organization to inaugurate and operate practical and complete budgetary control of its activities and business detail.

### Warning!

**M**EMBERS of the Association receiving orders from the "Societe de Construciones I. & Repres.," Athens, Greece, or communications or letter of credit instructions from the "Credit Bank" or the "International Bank" of Piraeus, Greece, should immediately get in

touch with the Foreign Credit Department of the National Association of Credit Men, 41 Park Row, N. Y.

### Radio Credit Risks

By George S. De Sousa

Treasurer, Radio Corp. of America, N. Y.

**B**ECAUSE of the feverish activity in the sale of radio telephone receiving apparatus, which began early this year, a brief word to credit men reciting special considerations which enter radio credits is timely.

The granting of credits in this field calls for the same care and knowledge as in older and other well established lines. There are uniform terms for jobbers, namely 2 per cent. ten days, 30 days net.

The Radio Corporation of America, in addition to its communication activities, is a marketing concern, drawing its merchandise from the vast manufacturing resources of the General Electric Co., and the Westinghouse Electric & Manufacturing Co., and having for its outlets the electrical, musical and hardware jobbers of the country, who in turn sell to the retailers. For the most part these jobbers were established long before the development of the radio-phone business as it is today.

Many of the jobbers find that a large proportion of their business is now in radio material. The question therefore comes down to this—whether the jobbers now present a more hazardous credit risk than before the radio business reached its present proportions. To answer this question is to express an opinion as to the future of radio.

My belief is that we are just at the beginning of a great development of radio. There has been a lull in the trade this summer which is naturally accounted for by the fact that everyone likes to get out of doors in the warm weather and not every radio fan takes his fanaticism with him into the woods or on the water.

#### FUTURE OF RADIO

Now that summer has drawn to a close, the radio interests look for a large, broad and continually growing market for first class radio apparatus. From this activity, the jobbing trade will of course profit. If anything, therefore, the position of the jobber is made better by the fact that he is handling large quantities of radio material, provided of course he is not tempted to handle incorrectly designed or badly manufactured apparatus.

Only a comparatively small beginning has been made in radio news service. What it will mean to the farmer or the ranchman for example, in no matter how remote a coun-

try, to be able to turn a couple of knobs and receive crop, weather and market reports besides a miscellaneous program of instruction and entertainment, stirs the imagination.

It is astonishing how readily the public is taken in by security selling campaigns in fraudulent projects if only they have connected with them the magic word "Radio." The organized credit men of the country will perform a much needed service to the so-called investing public by helping to educate the community not only to sound credit methods and substantial products, but to reliable investments especially in such lines as radio.

### A. B. A. Convention in New York

By Guy Emerson

Vice-President, National Bank of Commerce of New York  
Executive Manager of Convention

**I** UNDERSTAND that some 2,500 banking institutions in all parts of the United States are members of the National Association of Credit Men. A large number of these banks have already signified their intention of sending delegates to the 48th annual convention of the American Bankers Association, which will be held in New York, October 2-6.

This brief notice is a reminder to all banking members of the National Association of Credit Men.

The convention will be held at the Hotel Commodore, and it is expected 7,000 representatives of the 22,000 banks belonging to the A. B. A. will attend.

The bankers of New York City, with Pres. Seward Prosser, of the Bankers Trust Co., at their head, are doing everything possible for the delegates' comfort and pleasure. Among the entertainment features already arranged are a fashion show, teas and luncheons for the ladies; theatre parties; a smoker at the Astor; a grand ball; golf tournaments; and a trip by boat to West Point to see a special drill and review of the cadets arranged through the courtesy of the Secretary of War and the Superintendent of the Military Academy.

All delegates and guests will register in the west ballroom of the Hotel Commodore, beginning Saturday, September 30. Registration cards will be prepared in advance for delegates who have made reservations. The hotel committee in charge of reservations, of which Pres. Harvey D. Gibson of the N. Y. Trust Co., is chairman, may be addressed in care of Hotel Association of New York, 334 Fifth Avenue.

# Credit Leaders and their Work

## Buffalo Trade Groups

**Buffalo.**—One of the phases of the work of the Buffalo Association which will be emphasized during the present year is the policy of having the first Tuesday luncheon of each month devoted to the trade group idea. Publicity Chairman Frank A. Worth says: "We got the pleasantest surprise of our lives when we found that these Trade Group affairs seemed to fill a long felt want. The boys turn out to them in droves and are all most enthusiastic over them."

The General Chairman of the Trade Groups is L. E. Chandler, Merchants National Bank; the group chairmen are as follows:

*Grocers, Packers and Millers, Elmer Groben, Becker-Prentice, Inc., Cigars, Confectionery and Drugs, J. R. Gardiner, Snyder Cigar Co. Auto and Cycle Trades, H. O. Haight, Federal Sales Co. Wall paper, Paints, Glass, Oils, Varnish, J. W. Berkhauser, M. H. Birge & Sons Co. Iron and Steel, P. F. J. Muskopf, Walbridge & Co. Allied Building Trades and Lumber, Chas. B. Stark, Jackson & Tindle. Clothing, Shoes, Allied Lines, John Johnson, Chairman, Clawson & Wilson Co. Furniture, Office Supplies, Stationery, E. R. Spencer, Buffalo Typewriter Exchange. Banks, Brokers, Investment, Morris Perlstein, Liberty Bank. Electrical, J. M. Diebold, McCarthy Bros. & Ford. Insurance Agencies, Chas. M. Epes, Woodworth & Hawley. Paper, Twine, Boxes, John P. Grampp, John P. Grampp Press; and Miscellaneous, R. W. Wood, Kaustine Co.*

### COMMENT ON CONVENTION

W. B. Soderhorm, Welch Grape Juice, Co., discussing the Indianapolis Convention, writes: "When I thought of only 2,000 delegates present I didn't feel so proud of being a credit man. I wondered if the other thirty-one thousand expected those who attended to generate a year's enthusiasm into the association's work, or that maybe I was just a dumb-bell that had to go to Indianapolis to get some education."

## A Good Time Was Had by All

**Chattanooga.**—Graysville, Ga., was the scene of the big picnic held last month by the Chattanooga Association. "Once a year," said the announcement, "it's time to forget our troubles, take our wives and sweethearts out for an outing and have a big time."

"The Picnic Committee has selected Graysville, because a good road leads to it, and it has ideal grounds and a place to take a swim, fish and be a boy again."

"Each wife is asked to cook up a basket of food and bring it along. We will have a regular Basket Picnic this time. Do not bother about desserts as ice cream and cake will be provided."

"Games and amusements will be provided by the Committee."

The CREDIT MONTHLY is creditably informed that a good time was had by all and that the association is carrying over into its winter work the happy co-operative spirit displayed at Graysville.



Howard F. Barker

B., 1883, Providence, R. I. M., 1910. Ed., high school and Credit Men's Assn. Christian Scientist. Member, all the Masonic bodies from Blue Lodge to Scottish Rites; Turk's Head, Rotary, Town Criers, Chamber of Commerce, Watacomet Golf Club. Recreation, automobiling, golf. Favorite reading, Providence Journal, books on credit, detective stories. Bus. addr., Belcher & Loomis Hardware Co. 87 Weybossett, Providence, R. I.

At 15, messenger boy at \$3.00 per week, with Dun & Co. Stayed eleven years; then went with Bradstreet Co., as reporter and canvasser. Left after three years to enter as credit mgr., Belcher & Loomis Hardware Co., where he was elected asst. treas. in 1917.

His Assn. activities have been numerous: joined as substitute for W. B. Ayer in 1913; appointed chairman of Business Meetings Committee. He was sec. two years, pres. one year, New England Councilor, chairman Executive Committee on Credit Co-operation and Credit Methods Committee; pres. of the Adjustment Bureau, then its treas.; served on Board and Executive Committee of local and this year was elected National Director.

## A Problem

**Chicago.**—The bulletin of the Chicago association prints a problem offered by a member in the Food Products line which should furnish some ground for discussion. It is reprinted below in order that readers of the Credit Monthly may send in their comments upon it.

First: If I buy merchandise from a seller in New York, I. o. b. Chicago, open account:

(A) When does my ownership of the property commence?

(B) What is the correct dating of the bill—the day the goods are shipped or the day the goods arrive in Chicago?

Second: If I buy merchandise from a seller in New York on C. O. D. terms, I. o. b. New York. The seller consigns the merchandise to himself with draft attached to Bill of Lading:

When does my ownership of the property commence—when the goods are shipped or when I receive them?

References to authorities on the subject will also be appreciated.

## Cleveland Educational Work

**Cleveland.**—Educational activities occupied the attention of the Cleveland association in September to a considerable degree. The Credit Education Committee, under the chairmanship of A. L. Moler, Union Trust Co., has mapped out a four-fold program for the

year. This includes a study course in Credit Management; a Public Speaking Class; a Reading Class; and a series of evening educational lectures or discussions on varied credit topics.

The study course in credits will be given at the Y. M. C. A. and will cover a period of 32 weeks with a class period each week. The standard text book of the National Institute of Credit of the National Association of Credit Men will be used and all students will enroll in the Institute. The instructor will be James E. Campbell, Sherwin-Williams Co., former president of the Cleveland Association.

The Public Speaking Class will enter its fifth season. A sub-committee headed by F. J. Dean, Johns-Manville, Inc., a graduate of the class, will be in charge. An experienced instructor will be employed and a course of twenty lessons with the class meeting one night a week will be pursued.

The Reading Class will be handled by a sub-committee led by C. H. Pomerooy, National Malleable Castings Co., a graduate of last year's class. Either Credits or Economics will be studied and monthly meetings will be held.

The Educational meetings are being shaped up by a sub-committee of which W. H. Campbell, Cleveland Neckwear Co., former chairman of the National Association's Credit Education Committee, is in charge. This is a new departure and definite programs are not yet worked out. These meetings, however, will probably be monthly and for the entire Association membership with an open forum feature.

## Dayton Committees

**Dayton.**—The Dayton association has organized a group of strong committees for the work of the year. The chairmen are *Investigation and Prosecution*, J. H. Winters, Winters National Bank; *Fire Insurance*, H. A. Ireland, Miami Valley Drug Co.; *Banking and Currency*, C. C. Trout, Ernst & Ernst; *Revision of By-Laws*, Maurice J. Leen, National Cash Register Co.; *Mercantile Agency*, William Grieser, City National Bank, *Bankruptcy*, David B. Haber, Lowe Bros. Co.; *Meetings*, (September) A. W. Schneble, Advance Foundry Co.; (October), F. B. DeWeese, W. H. Kiefer Co.

## Hamburger Memorial Library

**Detroit.**—Utilizing the fund turned over to the Detroit association by Mrs. Frank R. Hamburger, to establish a memorial to the late Sec. Hamburger, the association has purchased a bookcase and a number of books which will form the nucleus of the "Frank H. Hamburger Library of the Detroit Association of Credit Men."

## At the Head of the Lakes

**Duluth.**—Pres. John D. Patterson writes that "in accord with the injunction of our good Secretary-Treasurer J. Harry Tregoe, the Credit Men at the Head of the Lakes believe and participate in outdoor recreation. That Credit men play as hard as they work was

demonstrated once more at the annual picnic held last month by the Duluth-Superior association." The picnic was in charge of Pres. J. D. Patterson, Vice-Pres. J. T. Dolan, Treas. M. H. Pulford, Sec. E. G. Robie, Chas. Kelley, S. D. Fisher, W. L. McKay, H. A. Sedgwick and S. R. Carrier. For these highly successful events lunches are prepared in the cafeteria of Marshall Wells Co. and put in individual containers, and all the work incident to an affair of this kind is eliminated. This greatly adds to the pleasure of the occasion.

A fine athletic program was put on, with a base ball game and athletic sports in the afternoon, and to top it off, a big open-air dance in the evening. The attendance was between 200 and 300.



**David J. Evans**

B., 1880, Chicago, Ill. M., 1907. Ed., common schools. Presbyterian. Recreation, automobiling, gardening, but best of all, fighting the Bankruptcy Shark. Favorite reading, "John Halifax, Gentleman," Life of Lincoln, current magazines, reviews. Bus. addr., Natl. Lead Co., 900 W. 18th St., Chicago. Left school at fifteen and was printer's devil for three months, after which he joined the Natl. Lead Co., Chicago branch, as office boy. He was office mgr. there in 1912, credit mgr. in 1917; now he is its office mgr. and credit man.

Dir. of Chicago assn. in 1919, 2nd vice-pres. in 1921, 1st vice-pres. in 1922. He is now director of the National Association and chairman of its Adjustment Bureau Committee.

### Greenville Leaders

**Greenville.**—The following officers and directors of the Greenville association have been elected for the coming year: Pres., Perry Woods, Pearce, Woods & Co.; Vice-Pres., L. Reid Jackson, Lipscomb-Russel Co.; Sec.-Treas., J. P. Abernthy; Directors, Perry Woods, Pearce, Woods & Co.; L. Reid Jackson, Lipscomb-Russel Co.; S. C. Templeton, Cozby-Templeton Co.; M. H. Smith, Geer Drug Co.

### Not So Easy

**Houston.**—Charles de Sola, manager of the Adjustment Bureau of the Houston association, points out that it is not as simple a matter as it would seem to throw a debtor into bankruptcy. As an illustration of the difficulty, he points to a case where application was made for a receiver for a concern in Houston which had been in difficulty for eighteen months. Many of the creditors felt that it was a case

which should be heard in the bankruptcy court. The facts developed that because the application for a receiver was made on the grounds of mismanagement, and not on the grounds of insolvency, and the decree of the court granted application for appointment of the receiver on the former grounds, no act of bankruptcy having been committed, the debtor could not be thrown into bankruptcy.

### Huntington's First Fall Meeting

**Huntington.**—Vice-Pres. Leon Shackelford, Huntington Drug Co., presided at the first meeting of the season of the Huntington association. Sec. James A. Gawthrop, of the Richmond Chamber of Commerce, was the principal speaker. Taking as his subject "Work and Experience," he briefly enumerated the value of both in the life of merchants, business firms and credit men. The other speakers were T. A. Palmer, manager of the annual coal and industrial exposition, and J. E. Lander, who talked on the benefits of membership. The entertainment was provided by the Anthracite Sextette of Scranton, which is the opinion of Special News Correspondent M. I. Flynn, should be secured for the next National Convention.

### Pres. Carder's Illness

**Huntington.**—Charles R. Carder, Huntington National Bank, Pres. of the Huntington association, is taking a short rest after undergoing a minor operation in hospital. Meanwhile the Huntington association is being vigorously led by Vice-Presidents Leon Shackelford, Huntington Drug Co.; T. J. Fields, Crump & Fields, Ashland, Ky.; A. D. Markin, Markin-Blanton Co., Boston; and Sec.-Treas. C. C. Harrold, Huntington. Mr. Harrold expects Pres. Carder back on the job in the near future.

### Protecting the Business

**Indianapolis.**—Frank L. Jones of the Equitable Life Insurance Company of N. Y., recently addressed the members of the Indianapolis association on "Insuring the Key Man and its Relation to Maintaining Credit Standing." He pointed out how corporations are seeing it to their advantage to insure certain key men in order that the confusion and loss occasioned by the death of an important producer or manager shall be compensated for so far as that is possible and the credit strength of the corporation be unimpaired.

#### NOVEL INTRODUCTION OF NEW MEMBERS

The officers of the Indianapolis association have established a new method of introducing members at the weekly meetings. Attendance cards bearing the names of the members present are placed in a box and are drawn out one at a time. The name of the person on the twenty-fifth card drawn is given the opportunity to make a brief statement regarding his house and the name of the person whose card is last drawn is given a memento of the occasion.

### Green Bay Active

**Green Bay.**—Manager C. B. Dockry writes: "Shortly after our return from the convention we conducted the first of the series of meetings and listened to reports of the convention by Mr.

Grimmer and Mr. Brenner. The meeting was held at Mr. Grimmer's summer home at Point Comfort about eighteen miles from the city, at six o'clock in the evening, and in spite of the long distance from town we had about thirty local members at the meeting. At that meeting it was decided to hold another meeting within the next month or six weeks.

The second meeting of the series was held last evening at Bay Beach Pavilion which was attended by seventy-three people from Green Bay. We had a splendid meeting.

I am sure that the membership here is becoming more interested each month in the doings of their Association and I am positive that every mem-



**Harold L. Harsch**

B., 1888, Peoria, Ill.; M., 1914; Ed., high school and business college. First Evangelical Church. Member Knights Templar, Shriner, Creve Coeur Club, Peoria Assn. of Commerce, Favorite reading, everything from Judge to Hibbard's Journal. Recreation, automobiling, swimming, play pipe organ in local churches. Bus. addr., First National Bank, Peoria, Ill.

ber who attended last night's meeting together with the prospective members who were there will attend the September meeting.

### Advantages of Membership

**Johnstown.**—Sec.-Treas. G. A. Boyce, of the Johnstown association, reports that Ludwig H. Henning, Valley Engraving Co., in an address to the regular noon luncheon meeting of the Johnstown association enumerated briefly the business advantages of membership.

Geo. W. Swank opened a discussion on the need of inducing buyers to live up to the specified terms.

One table was occupied by credit ladies.

The Secretary reported six new members.

R. A. Putnam, C. A. Young Co., received a box of cigars as a prize for suggesting the name of the new monthly bulletin of the association, "The Creditorial."

### Transportation a Credit Subject

**Indianapolis.**—H. F. Pavey, Hibben-Hollweg & Co., talked to the Indianapolis members at their last luncheon on "Transportation in Its Relation to Credits." That there is a very close relation between the two is indicated by the fact, said Mr. Pavey, that as





**F. Elmer Havens**

B., 1884, Pawtucket, R. I. M., 1916. Ed., public schools. Episcopalian. Member all Masonic bodies, including Shrine; Y. M. C. A., St. Paul Men's Club, Kalon Club, Pawtucket Chamber of Commerce, Brown Club. Recreation, bowling (large and small pins), auto-mobiling, base ball and football fan. Favorite reading, *CREDIT MONTHLY* and any other matter of a broadening and uplifting character. Bus. addr., Hope Webbing Co., 1005 Main St., Pawtucket. Began as an office boy and clerk with Howard & Bullough Machine Co., stayed there 20 years. Left to become bookkeeper, purchasing agent, asst. treas. for Hope Webbing Co.; he has full supervision of their credits and collections.

He is a member of the Providence assn., was chairman of Business Meeting Committee for 20 years, member of Committee on Commercial Agencies for a year, secretary for a year, now active as vice-pres. and director.

the transportation of goods was quickened the terms of sale were shortened. For instance, when goods were delivered by horseback, flat boats, etc., terms of sale were necessarily slow, but with the speedy facilities offered by the railroads terms became shorter. A few years ago terms in the drygoods line were four months, but are now not more than 70 days, all of which is important from a credit standpoint, because it means that the wholesaler is not carrying the merchant for the interminable period that he formerly did.

The prosperity of the country, Mr. Payve declared, depend upon the prosperity of the railroads, and a country cannot grow and prosper whose railroads are all the while suffering handicaps.

#### CHICKEN DINNER

The summer season was brought to a close with a "regular chicken dinner with all the trimmings" held at Broad Ripple Park.

#### Lexington Officers

*Lexington.*—The work of the Lexington association for the ensuing year will be carried out vigorously under the leadership of Pres. B. J. McGarry, W. T. Sistrunk & Co.; 1st Vice-Pres. H. R. Douglas, E. L. Martin & Co.; Sec-Treas. John D. Allen, 412 Fayette National Bank Bldg.; Chairman J. M. Morrison, Lexington; H. A. Power, Paris, Ky.; C. S. Bishop, Winchester; M. C. Kellogg, Richmond, Ky.; S. C. Stofer, Lexington.

#### Robert Morris Associates

*Lansdowne.*—The Robert Morris Associates composed of and limited to banking members of the National Association of Credit Men, will hold their annual directors' meeting early in October. The officers and directors for the year; President William Tonks, Union Trust Co., Cleveland; 1st Vice-Pres. J. N. Eaton, Merchants National Bank, Boston; 2nd Vice-Pres. J. F. Craddock, Continental & Commercial Natl. Bank, Chicago; Research Director, Freas B. Snyder, Suburban Title & Tr. Co., Upper Darby P. O., Pa.; Sec-Treas., Alexander Wall, Lansdowne, Pa.; Directors: Chas. R. Burnett, First National Bank, Richmond; J. H. Puelicher, Marshall & Ilsley Bank, Milwaukee; F. S. Sibley, Rhode Island Hospital Tr. Co., Providence; Harvey E. Whitney, Bankers Trust Co., N. Y.; John C. Knox, National Bank of Germantown, Philadelphia; Kenneth Macdonald, Manufacturers & Traders Natl. Bank, Buffalo; L. V. McLean, First National Bank, Pittsburgh; C. E. Sullivan, Merchants National Bank, Indianapolis.

#### THE CHAPTER ORGANIZATION

The Chapters of the Robert Morris Associates are as follows:

*New York City, No. 1*—Pres. M. H. Howell, Chase National Bank; 1st Vice-Pres. I. B. Hopper, Chemical National Bank; 2nd Vice-Pres. G. C. Trumbull, New York Trust Co.; Treas. A. C. Nagle, First National Bank; Sec. Chas. H. Dahmer, Fifth Avenue Bank.

*Cleveland, No. 2*—Pres. C. B. Reynolds, National Clay Bank; Vice-Pres., F. J. Zur Linden, Federal Reserve Bank; Sec., W. F. Copeland, Union Trust Co.; Treas., F. J. Greiner, Pearl St. Savings & Trust Co.

*Boston, No. 3*—Pres. Wm. N. Kenyon, Federal Reserve Bank; 1st Vice-Pres., Chas. W. Varey, Fourth Atlantic Natl. Bank; 2nd Vice-Pres., F. L. Richardson, Newton Trust Co.; Sec., P. D. Keating, Peoples National Bank; Treas., C. W. Tyler, Boylston National Bank.

*Chicago, No. 4*—Pres., J. F. Craddock, Contl. & Coml. National Bank; Vice-Pres., H. L. Benson, Union Trust Co.; Sec-Treas., C. C. Hayford, Illinois Trust & Savings Bank.

*Pittsburgh, No. 5*—Pres., F. S. Callender, Monogahela National Bank; Vice-Pres., L. V. McLean, First National Bank; Sec-Treas., V. C. Boggs, Columbia National Bank.

*Philadelphia, No. 6*—Pres., John C. Knox, National Bank of Germantown; Vice-Pres., D. L. Lewis, Brown Brothers Co.; Sec-Treas., E. J. Morris, Manayunk National Bank.

*Portland, No. 7*—Pres., C. B. Sewall, Hibernia Coml. & Sav. Bank; 1st Vice-Pres., N. U. Carpenter, Citizens Bank; 2nd Vice-Pres., G. C. Blohm, Ladd & Tilton Bank; Sec-Treas., June S. Jones, Northwestern National Bank.

*Buffalo, No. 8*—Pres., Kenneth Macdonald, Manfrs. & Traders Natl. Bank; Vice-Pres., Wm. F. Chase, Citizens Trust Co.; Sec-Treas., C. H. Fitch, Peoples Bank of Buffalo.

*Richmond, No. 9*—Pres., Julian H. Hill, State & Clay Bank & Tr. Co; Vice-Pres., Henry C. Patton, Planters Natl. Bank; Sec-Treas., A. K. Parker, First National Bank.

*New Orleans, No. 10*—Pres., F. V. Moise, Whitney-Central National Bank; Vice-Pres., J. A. Bandi, Marine Bank &



**Lewis Milam**

B., 1886, Summersville, W. Va. Ed., normal school, business college. Baptist; 1st vice-pres., Baptist Sunday School Assn.; supt. Sunday School of Clarksburg Baptist Church; member Chamber of Commerce, Kiwanis Club. Favorite reading, *American Magazine*, *System*, *Commerce & Finance*, *CREDIT MONTHLY*, *Alexander Hamilton Course*, etc. Bus. addr., Williams Hrdwe. Co., Clarksburg, W. Va.

After completion of commercial course, took a position with General Electric Co., Schenectady, N. Y. On account of illness of his mother was compelled to return to Clarksburg, where he accepted a position with Hazel-Atlas Glass Co., which he left after seven years to join the Williams Hardware Co., as cashier and credit mgr. where he is still.

He is now president of Central W. Va. assn.; natl. vice-chairman Mercantile Agency Service Committee for District No. 3; chairman local committee on Mercantile Agency Service.

Trust Co.; Sec-Treas., G. L. Wooley, Hibernian Bank & Trust Co.

*Dayton, No. 11*—Pres., J. H. Winters, Winters National Bank; Vice-Pres., A. C. Jackson, Dayton Savings & Trust Co.; Sec-Treas., A. C. Wolf, Merchants National Bank.

*Columbus, No. 12*—Pres., C. W. Tanner, City National Bank; Vice-Pres. Richard Patton, National Bank of Commerce; Sec-Treas., Raymond Link, Ohio National Bank.

#### "Here's the Kickoff!"

*Lincoln.*—Merton L. Corey, Federal Loan Bank, Omaha, talked on "Farm Credits" to the Lincoln association at its first meeting of the year, the notice for which was headed, "Here's the Kickoff!" At this meeting also a report was rendered on the National Convention by G. E. Bokes, Korsmeyer Co., J. S. Tupper, Cornell Supply Co., and W. L. McKenney, Hinkle-Joyce Hardware Co.

#### Los Angeles Starts the Year

*Los Angeles.*—The Los Angeles association has started its year with an elaborate program and under the best of auspices. The officers who took hold last month are: Pres. H. I. Bremmer, United Wholesale Grocery Co.; 1st Vice-Pres. A. F. Stepan, Western Wholesale Drug Co.; 2nd Vice-Pres. W. W. Grether, Grether & Grether, Inc.; Treas., Jay Spense, Los Angeles Trust & Savings Bank; Sec. Edgar L. Ide, Kellaway-Ide Co.



## Taking the 31st out of the Shadow of the Pen

**A** DAY OF RECKONING—when the errors caused by the inaccuracies of pen-bookkeeping must be faced, and tediously corrected. Then, too, begin the worry and rush to close the books—a rush that frequently continues far into the next month.

Where the bookkeeping is done on the Underwood, the 31st comes and goes without confusion or congestion. The trial balance is drawn off almost automatically. The statements are ready to mail promptly.

Underwood accounting is standardized, automatic accounting. The books are kept in perpetual balance. The work is proven as it is done. The hindering "Shadow of the Pen" is lifted: the business is kept under perfect control.

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*Agents throughout the United States and Canada*

### Milwaukee Personalities

**Milwaukee.**—Gordon M. Day, director of the National Association of Credit Men, Day-Berwall Co., has been elected president of the Flavoring-Extract Mfrs. Association.

Oscar Loeffler, who has for many years been an ardent supporter of the Milwaukee and the National Associations of Credit Men, has received a gold watch from Goll & Frank Co., with whom he has just completed his fiftieth year of service. He was a founder of the Milwaukee association and has served as a director of the National.

### Minneapolis Officers

**Minneapolis.**—The officers and directors of the Minneapolis association who will guide its work during the coming year are: Pres., Paul R. MacMichael, Winston-Harper-Fisher Co.; Vice Pres., M. C. Kelly, the M. C. Kelly Co.; Sec.-Treas., J. L. Brown, W. B. & W. G. Jordan; Gray Warren, Federal Reserve Bank; J. A. Gurley, Gurley Candy Co.; G. L. Lang, Lane, Piper & Jeffray; F. M. Hitchcock, Wyman, Partridge Co.; R. P. Ingmunsdon, Automotive Supply Co., S. J. Olmen, Minneapolis Drug Co. The committee chairmen are as follows: *Legislative*, J. A. Gurley, Gurley Candy Co.; *Membership*, J. F. McGrath, Loose-Wiles Biscuit Co.; *Credit Department Methods*, H. A. Jensen, Munsingwear Corp.; *Reception*, A. F. Florkey, Geo. R. Newell & Co.; *Welfare*, Ed. Jones, Marquette National Bank; *Mercantile Agency and Credit Co-Operation*, F. R. Orcutt, Dodson-Fisher-Brockman Co.; *Business Literature and Insurance*, C. F. Allen, W. S. Nott Co.; *Entertainment*, M. C. Kelly, M. C. Kelly Co.; *Publicity*, J. B. Moffett, Pure Oil Co.; *Educational*, S. J. Olmen, Minneapolis Drug Co.; *Trade Welfare*, J. M. Paul, McDonald Bros. Co.; *Bulletin*, Paul A. Barkuloo, McDonald Bros. Co.; *Holding*, J. W. Hoffman, Forman, Ford & Co.; *Business Conditions*, J. H. McKesson, Butler Bros.

### Starting the Year's Work

**Nashville.**—Prof. Gus Dyer, Vanderbilt University, gave an address on legislative matters at the first meeting of the season of the Nashville association, according to Sec. R. E. Buckingham. The speaker gave the association "some

wonderful thoughts for our future course in our every day tasks, and these thoughts will live with his hearers for many months to come."

Now that the hot weather is over the association has squared away for a big winter season of work and fellowship.

### North Jersey Activities

**Newark.**—Sec.-Manager W. van H. Ezerman of the North Jersey association has started a monthly bulletin under the breezy title, "The Creditman from Jersey." In it he says:

"If ever you receive a letter from an attorney soliciting a claim from you against a delinquent debtor, turn it over to the bureau before you take action. There is a reason."

"P. S.—This should be printed in red ink."

The first meeting of the year was held September 21 at the down town club. The speaker of the evening was Vice-Pres. G. A. O'Reilly, Irving National Bank, New York, whose subject was "Foreign Trade and Conditions Underlying the Extension of Foreign Credit."

B. B. Tregoe described the Foreign Credit Interchange Bureau of the National Association of Credit Men.

#### CREDIT CLUBS

The New Brunswick Credit Club held its first regular meeting of the year on September 15. On September 22 the Jersey City Credit Club held its first regular meeting of the year.

#### CREDIT INTERCHANGE

As has been reported from the CREDIT MONTHLY the National Association of Clothiers Credit Bureau has allied itself with the North Jersey Association. The Interchange Committee is made up as follows: Joseph Seligman, of Cohen, Goldman & Co.; Harry Winston, of Frankel Bros.; Alfred L. Beck, of Spero Michael Co.; Max Levine, of Bashwitz Bros. & Co.; Wm. Lutz, of Samuel Rosenthal & Bros.; Charles Albright, of I. & B. Cohen Bomzom Co.; Harry Oppenheimer, of H. & S. Cohn; Don Van Buren, of the Duratex Co.; Ralph L. Smith, of the Pyrene Mfg. Co.; A. C. Gibbons, of Johnston Murphy; Sec.-Mgr. Ezerman, of the North Jersey association; H. W. Angevine, of Hyatt Roller Bearing Co., and C. R. Burnett, of American Oil Supply Co.

The officers and trustees of the association are: Pres., Arthur L. Myers, W. H. Compton Shear Co.; Vice-Pres., Matthias Ludlow, Ludlow & Squire; Sec.-Mgr., W. van H. Ezerman; Treas.,

Oscar H. Merz, Fidelity Union Trust Co. Trustees: Newton Sutherland, C. Feigenspan, A. corporation; S. J. Milligan, Crane & Milligan; Spencer S. Marsh, Natl. Newark & Essex Banking Co.; Chas. D. Brady, R. G. Dun & Co.; Geo. A. Kanouse, Geo. H. Kanouse & Co., of Jersey City; T. G. Murphey, The Sherwin-Williams Co.; E. Allen Smith, Merchants & Mfrs. National Bank; F. P. Russell, Russell Schwarz Co.; Paul Beckwith, Paul Beckwith Coal Co.; F. H. Skinner, Janeway & Carpenter, New Brunswick.

Sec. Ezerman is signing his letters, "Yours for One Thousand Members."

### Rich Educational Program

**New Haven.**—The New Haven association has arranged an excellent series of one hour lectures to be held at 7:00 P. M. throughout the winter season beginning September 25 and ending March 12. This course is open to men and women. The lectures are as follows:

"How to obtain credit information and methods of filling same." Oscar E. Erickson—Winchester Repeating Arms Company; "How to read a Balance Sheet." H. F. Seward, of the firm of Seward, Stone & Monde; "How to read an Agency Report." F. E. Tester, Treasurer Broadway Bank and Trust Co.; "Taxation and how it affects business." R. E. Anderson, Treasurer—Winchester Repeating Arms Co.; "Fire Insurance and Fire Insurance Policy." W. A. Thomson, Treasurer—Security Insurance Co.; "Commercial Law." Thomas M. Steele—Watrous, Day, Hewitt, Steele & Sheldon; "Commercial Law." Thomas Steele; "Bankruptcy Law and explanation of the operations and purposes of a Bankruptcy Court." Clarence Bronson, Attorney; "Export trade and its effect on business and how to treat Export credit conditions." Wm. H. Spencer, Export Manager, Sargent & Company.

### Co-operation with Retail Credit Men

**New York.**—A movement intended to bring together for the benefit of all American business the tens of thousands of credit men, both retail and

### Importance of the Committeeman

THE Administrative Committee of the National Association of Credit Men says:

"It does not seem possible that a local Association of Credit Men can perform its best functions and meet to the utmost its reasonable obligations without proper committees embracing the important activities of our work. The committees must function regularly and work in close harmony and co-operation with the National Committees.

"The local committees have not always operated with proper regularity. They have waited too frequently for something to do, rather than making their own work."



wholesale, in all important commercial centers of the country was inaugurated at a conference last month between a special committee on co-operation of the Retail Credit Men's National Association and executives of the National Association of Credit Men.

The move for co-operation between the two organizations was initiated by the retail credit men, who were represented in the conference by a committee appointed by their National President, David W. Ahl, J. L. Hudson Co., Detroit, consisting of: William J. Morgan, Brooks Bros., Inc., President of the Associated Retail Credit Men of N. Y. City; L. T. Pease, Ovington Bros., National Vice-President; Irving C. Brown, L. Baumberger & Co., former director; W. H. Taylor, Franklin Simon & Co., former National President; J. M. Connolly, Reference Clearance Bureau, General Manager of the organization. The wholesale credit men were represented by Sec.-Treas. J. H. Tregoe and members of his staff.

It is recognized by both organizations that their interests in many respects are identical and plans have therefore been matured for a close co-operation which will improve the technique of credit granting and will lead to a better knowledge of credit conditions.

### Metropolitan Golf

New York.—The fourth annual golf tournament of the New York association was held September 28 at the Scarsdale Golf Club. The committee in charge consisted of: Chairman, Paul E. Hunter, L. Earnstein & Bros.; H. A. Clinkunbroomer, Chatham & Phoenix National Bank; Rufus K. Storm, Central Chemical Co.; J. O. Hobby, Jr., American Locomotive Co.; E. T. Howland, American Cotton Oil Co.; M. H. Howell, Chase National Bank.

### New York Newspaper Credit Men

New York.—New York newspaper credit managers have held luncheon meetings for several years but have now organized a Newspaper Men's Protective Association. The papers already included in the group are the American, Herald, News, Staats-Zeitung, Times, Tribune, World, Globe, Mail, Post, Sun and Telegram.

### Norfolk Tidewater Officers

Norfolk.—An active association year has begun in Norfolk under the leadership of Pres. W. K. Neville, Old Dominion Tobacco Co.; Vice-Pres. W. R. Meech, Lyon & Greenleaf; Sec. Aleck Creech, Harris, Woodson, Barbee Co.; Treas. O. O. Witherspoon, J. S. Bell, Jr. & Co.; Gen. Mgr. Shelton N. Woodward; R. H. Carmichael, Kelly & Borum; J. G. Dixon, Whitchard Bros. & Co.; W. A. Parker, Farmers Guano Co.; J. G. Sawyer, Southern Supply Co.; W. I. Smith, C. P. A.

### Omaha Association Picnics

Omaha.—According to G. P. Horn, Standard Oil Co., the members of the Omaha association enjoyed themselves at a picnic held recently at Carter Lake Club. The afternoon opened with a baseball game and various competitive events in which all attending took a very active part. This was followed by a dip into the surf, afterward a

chicken dinner was served at the club house, followed by dancing.

This picnic demonstrated that meetings of this kind are necessary to bring together the credit men and their wives.

### How to Sell Membership

Omaha.—J. W. Hague, Otis Elevator Co. chairman of the Membership Committee, gave a demonstration at the last meeting of the Omaha Association on how to sell membership to the concerns of Omaha not already on the association's rolls.

There were also reports of the Indianapolis convention by Don Davis, Western Electric Co., and Mgr. W. R. Bernd, of the association.

### Recovery of Gerson L. Levi

Philadelphia.—One of the oldest and staunchest members of the Philadelphia association is recovering from an illness during which he was confined for a time to the Jefferson hospital. Many of his friends throughout the National Association of Credit Men have expressed in letters their heartfelt wishes for and congratulations on his speedy recovery.

### Advantage of Par Collection System

Pittsburgh.—Prof. Montfort Jones, School of Economics, Univ. of Pittsburgh, an authority on banking and finance, spoke before the Pittsburgh members at a recent meeting on the necessity of defending the par collection method established by the Federal Reserve banks.

Ninety per cent. of the entire wholesale and retail business of the country, he declared, is covered by checks. Last year the Federal Reserve banks alone handled 522 million dollars in checks. Mr. Jones added that of the 30,000 banks in the United States, 28,000 make no charge for handling checks and the other 2000, which are non-members, are those seeking to legalize a service charge. He referred in a complimentary manner to the work which the National Association of Credit Men had done to defeat the efforts being made to restore through legislation the service charge.

### Causes of Industrial Strife

Pittsburgh.—Declaring that most industrial strife is due to a mental reaction of the men engaged in industry, and that this reaction, real or fancied, is due to alleged or accepted practices that hinge on injustice, C. E. Willis, life risk inspector of the New York Life Insurance Co., declared to the members of the Pittsburgh association at a recent meeting that the only remedy for this mental state is to teach men a right conception of what justice is. His topic was "A Psychological Analysis of Industrial Strife." He said that professional labor organizers take these industrial workers in little groups and prey on their imagination and have little trouble in convincing them that an injustice is being perpetrated against them. The difficulty is that the men have the wrong conception of what justice is, and it is only through education that this concept can be corrected. On the other hand, he said, if the men are being dealt with unjustly, then the sooner the injustice is rectified the better.

## CREDIT AND HEALTH

The credit man realizes the value of exact knowledge.

This Bureau is instituted to give a subscriber exact knowledge on the state of his health.

To advise on HEALTH STANDING as the credit man would advise on FINANCIAL STANDING.

A person may feel and look well but still have in the system some disorder that if not taken in the early stages, will develop into serious illness.

It is our mission to detect this by scientific means in our laboratory. We arrange to do this by means of periodical Urinalysis, that takes only FOUR MINUTES of your time per year and puts the watchful eye of science protecting your health.

If you are well you will feel better for knowing it. If you are ill, definite knowledge in the early stages will enable your doctor to treat the trouble and save you from invalidism.

Write for full information on our "STAY WELL SERVICE." The report we give will be a "Trial Balance" on your health.

**National Bureau of Analysis**

Dept. H. Republic Bldg., Chicago, Ill.

out clearer to the men when injustice is being dealt them and will make more certain the day of recognition. Treat men, urged Mr. Willis, like human beings and take into consideration the fact that the man is a sentient being.

### Club at Butler, Pa.

Pittsburgh.—The Pittsburgh association has taken preliminary steps to organize the Butler Credit Club. At a meeting recently held in Butler attended by representatives of the larger business houses and banks, a temporary organization was formed and a committee appointed to make arrangements for a meeting for the election of permanent officers and for drawing up a program of activities. The Pittsburgh association was represented by George A. Lancaster, assistant to the president, C. E. Willis, A. B. Abbs, Walter Griffith and George Buehler, each of whom spoke on various phases of associational work and gave the reasons why Butler should have its Credit Club.

#### LUNCHEON ADDRESSES

Dean A. B. Wright, School of Economics Univ., Pittsburgh, addressed the Pittsburgh association at a recent weekly luncheon on "Its Right to Violence."

Sec.-Treas. J. H. Tregoe spoke on business conditions at the last noon luncheon of the association.

### Leaders at the Golden Gate

San Francisco.—The San Francisco association starts the year with the following excellent personnel of officers and directors: Pres. Eugene S. Elkus,

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### I Have Not Due Yet

**L**EE S. LIBBY, John W. Graham & Co., Spokane, Washington, has received the following letter from a Japanese debtor:

"Collector Department, Dear Sir:—An account of the last month which I should have due till 10th of this month, But I have not due yet. Therefore cause is Railway strike which We were acting large amount of trade, but the people of the Railway shop-men have not even pay yet. Because they derogate the camp or house by Railway strike so it is very difficult to pay the due.

"I wish that you wait till next payment to due the money but when We desire of the money and if it well accomplish. I will communicate and will dispatch the due of last month and before We pay the due. We might need more stock from your company for this month. May We pay the C. O. D., or but if possible that you concert with other account of the month.

"I am sure the shop-men have work some place else since they derogate the camp or house. It is knowledge We can collect the pay from those people of out trade so Please sincerity what I wrote an above.

"Moreover that I broke our promise I hope you will forget and forgiveness what I done it,—Your fidelity—"

### Business Service

"**I**F YOU save the customer, you save all—for everybody."—H. UEHLINGER.

### Seattle's Closing Session

**Seattle.**—The last meeting of the Seattle association for the season of 1921-22 was held at the Masonic Club. After a very enjoyable dinner, the community singing was led by Mr. Brainard, followed by a solo by Miss Cox, a member of the association.

A lengthy but interesting report was given by L. O. Sandin, Chairman of the Picnic Committee. Pres. C. A. Giblin was in the chair.

The accomplishments of the Seattle delegation to the Convention at Indianapolis were reported by N. Hallgren, Councillor from this district, who sketched the history of the newly-

formed Credit Men's Council of the Pacific Northwest, formed to fight commercial fraud, and to endeavor to secure needed legislation in Oregon and Washington at the 1923 sessions of the State law-making bodies.

### Reception to Bergman

**Syracuse.**—The opening meeting of the Syracuse Association took the form of a rousing reception to National Director John L. Bergman, Pass & Seymour, Inc., who was a charter member of the Syracuse association.

#### NEW PRESIDENT AND VICE-PRESIDENT

L. O. Sandin, of the C. C. Belknap Glass Co., has been elected to succeed C. A. Giblin, resigned; and P. T. Padgett, Clyde Equipment Co., has been elected vice president.

### Among the Dahlias

**Terre Haute.**—At Pres. Chas. E. Parker's Dahlia Farm last month was held the annual picnic of the Terre Haute association. Not only did Mrs. John E. Creditman attend but young Jack and Molly Creditman were there with bells on. There were sixteen field events with prizes contributed by J. T. White, Stahl-Urban & Co., Terre Haute Trust Co., McKeen National Bank, First National Bank, Terre Haute National Bank, F. C. Foltz Co., Levin Bros., Smith-Alsop Paint & Varnish Co. Among other items were contributed by various member firms Budweiser, Ice, Home Brew Coffee, chicken, badges and programs. A big dinner starting with fried chicken was served at five P. M.

### The Three Noes

**Toledo.**—Harry Kirtland, Kirtland Co., talked to the Toledo association at a recent luncheon on "When and How to say No." He declared that the proper time to say No is "instantly" and the way to say it is "emphatically." He enumerated the kinds of no, namely, the No of Anticipation, the No of Decision and the Tactful No.

National Sec.-Treas. Tregoe's Monthly Letter was the subject of analytical discussion at a recent weekly noon meeting of the association, presided over by Charles S. Nagle, Toledo Scale Co.

A. F. Streicher, Cohen, Friedlander & Martin, spoke at the last weekly noon meeting on "Setting a Credit Limit on Our Customers. a. What Methods Can Be Used to Determine How Much? b. Can There Be Any Definite Rule?" The various activities of the association are in charge of strong committees headed by the following members: Adjustment Bureau, H. T. Fulton; Interchange Bureau, E.

H. Bispham; Credit Department Method, L. C. Jamison; Mercantile Agency, J. A. Lobet; Entertainment, Margaret Nolan; Insurance, E. F. Keller; Bankruptcy Law, F. G. Carpenter, and Legislative, H. C. Miller.

August F. Streicher, Cohen, Friedlander & Martin, told the members of the Toledo association at a recent meeting that one of the ways for a credit man to test out his work is as follows:

#### A TEST FOR YOURSELF

"Get a list of creditors with the amounts owing to each, and compare the amounts with the amount owing to you. If you are giving credit over the average of concerns in your line, you have missed judgment; if under, your judgment has been good."

### A Surfeit of Production

Views from the Automotive Field  
By D. C. Anderson

**F**ROM the viewpoint of one whose interests are largely in the automotive field, it seems to me that there is a tendency in all lines, except fuel production, toward a surfeit of production.

I should not be surprised to see an excess of low cost dwellings in the next twelve months. Immigration is being checked. There has been an enormous activity in building, not only in the larger communities but in every community that has felt the pressure of housing shortage; but the drift of population from the smaller to the larger communities tends to check the demand for building in the smaller places.

The sales of passenger cars for the past eight months have been larger than in any similar period. The manufacturers of trucks, however, have felt the influence of heavy reimports of American products in this line, sold at ordnance sales in France and England and shipped back to this country. Not long ago, at Ft. Benjamin Harrison, I saw one lot of 40,000 trucks, which must be absorbed. These were being distributed largely to different departments of the government.

The commercial disturbances in Europe show little or no signs of subsiding; but I am not one of those

## Building Activity

THE ANSWERS to a questionnaire on business conditions sent out to the active members of the Building Materials Division of the Chicago Association of Credit Men are summarized below:

	July 91%	August 90%
(1) Percentage of capacity at which plants were operated.....	37%	20%
(2) Number of men employed as compared with:		
(a) January, 1921 .....	37% increase	20% increase
(b) Previous month .....	6% increase	Same as July
(3) Percentage in increase or decrease in total collections compared with previous month .....	7% increase	17% increase
(4) Percentage of increase or decrease in total sales as compared with previous month .....	40% increase	15% increase
(5) Total amount of accounts overdue expressed as a percentage of total accounts receivable .....	26%	28%
(6) Percentage of increase or decrease in new accounts opened.....	8% increase	7% increase

who believe that the prosperous future of American business depends entirely upon European prosperity. This country is better balanced internally than it has been. Export sales represent a sort of bonus to American business. There are really few essential products which are not or cannot be raised in this country.

There are many elements favorable to the growth of automobile industry.

(1) The ease with which municipal and county bonds are sold enables communities to improve roads.

(2) The low prices of cars are an encouragement to their purchase.

(3) Riding for pleasure is increased by the short hours of labor and by the fact that in many businesses there have been two holidays a week.

As soon as the strikes are disposed of there should be a general improvement in business. Prosperity, in my opinion, depends largely upon (a) the settlement of the strikes and (b) the behavior of men after the strike settlements.

If, however, the strikes are settled in the near future and the attitude of labor is reasonable there is still the possibility of a surfeit of production.

### Faith Holds Men Together

C. C. HENKING, Croft Stanard Co., Huntington, W. Va., sends to the CREDIT MONTHLY the following extract from a recent editorial in the St. Louis Globe-Democrat.

"Society is built upon trust and trust upon confidence in one another's integrity. 'Strike from mankind the principle of Faith,' says Bulwer, 'and men would have no more history than sheep.' It is faith that holds men together—that makes association and collective action possible. It is the root of government and the absolute essential in the transaction of business. No Faith without Confidence—no Confidence without Integrity expressed by acceptance of civilization's ethical standards. Worldly goods go only so far as collateral. Real credit is based on integrity which comes from within—spiritual credit that keeps Faith and never loses Confidence."

### The Business Thinker

WHAT THE ARCHITECT is to the building, the general to the army, the leader to the orchestra, the coach to the football team, that same the business thinker and leader is to industry.—*The Sun, N. Y.*



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ASK YOUR STATIONER

## Savoir Faire in Correspondence Opportunities for Building Friendships

By C. F. Hunt

Clayton-Hughes Companies, Memphis, Tenn.

IF any business man is justified at times in giving vent to his feelings, it is the credit man. Unquestionably he has to deal with the irritating human elements in business as no other department is called upon to deal with them. Certainly I find this true in my own credit work for a wholesale grocery or produce house. The work in my line is hard and the human element problems difficult because retail grocers and produce dealers comprise almost all nationalities and races which have settled under the American flag. We correspond with every class of business men, and there is frequently a vast difference between these classes.

Because the writing of letters is a considerable part of the work of every day, credit men are prone to rush through it without giving much consideration to the opportunities that lie along the way by means of which we may create a bond of sincere friendship and high regard between us and those to whom we are writing. Whether consciously or unconsciously a certain atmosphere pervades every message that we speed on its way, whether the message be to mother, to brother, friend or debtor. The message may be quite neutral, a mere acknowledgment or the simplest and briefest

(Continued on page 44)



# Dividing Into Trade Groups

## Testimony from Chicago Group Chairman

By E. G. Bric

Mgr. Membership Dept., National Association of Credit Men

**F**OR some time past it has been apparent that a strong tendency of association work is along trade group lines. This was forcibly shown at the Indianapolis Convention by the great interest exhibited in the trade group meetings: one-half of the activities of that convention were carried on in these groups.

This tendency no doubt indicates the future activities, of the larger associations particularly. The growing importance in the weekly or monthly meetings of the trade groups is continually being shown and the work they are doing is sometimes startlingly effective.

It is now apparent that every member of these associations, especially the larger ones, will be allotted to some group, which meets regularly, exchanging information, discussing the problems pertinent to their own industry. This will undoubtedly lead to a considerable growth in membership, as each group will be enthusiastic in increasing its own effectiveness through growth of its own membership.

The Chicago Association has been in the forefront of progress in this development. Herewith are letters from chairmen of trade divisions showing the wonderful results they have obtained.

### CLOTHING

By Group Chairman W. H. McLaughlin  
Mayer Bros., Chicago

At different times every one of us attends meetings of our credit association, enjoy the dinners, speakers, etc. and meet many business acquaintances, but, on the ride home, right in the back of one's head the thought presents itself: I wonder who among that crowd is selling John Jones of Jonesville;—that fellow lately is very slow, won't even answer letters.

This is but one of the conditions that confront credit men, no matter what industry they are affiliated with, and was but one of the reasons a number of years ago of our meeting at lunch once a week and exchanging information on accounts that we were mutually interested in. An enormous lot of constructive work was done. These meetings showed us what could be accomplished.

During the War credit managers advanced somewhat, taking over as a rule the duties of the shipping clerk. We did not meet regularly during this period. The readjustment period woke us up very quickly.

A regular organization was formed with a chairman, vice-chairman and secretary. Meetings were held at our association headquarters the second and fourth Tuesday of every month, starting promptly at 6:30 P. M.

### A COMPLETE SHOWDOWN.

In our short by-laws it is agreed that every member must furnish a list of new accounts and the amount of the order, and a list of accounts owing \$100 or more, that are over 30 days past due. These lists are first delivered to the secretary, who afterwards passes them out to members. As they go around every one puts his number on the top of the sheet and also opposite any account he may be interested in. On an account one may wish to inquire about an open discussion is held, then and there, by those interested in it. This part of our meeting has been the means of reforming and straightening up a lot of merchants who were in bad shape and who have had the benefit of advice and counsel which enabled them to avoid insolvency and continue as a substantial outlet for distribution, which might otherwise have been destroyed. Further, we found that a lot of overbuying, bankruptcies and compositions, were nothing more than "frame-ups". It would surprise any credit manager to look over our records and see the number of cases that went through bankruptcy or insolvency, but members of our division were not interested. Why? Because whenever one of us learned of an affair of this kind, others were warned.

At the beginning of the year we did not differ from other credit men. We wanted to see up to date property statements. As the result of co-operation, over 400 statements were obtained, any one of which our members could put their fingers on.

Furthermore, take the matters of extensions, compositions and bankruptcies: Our members do not sit idly by and let these affairs take their course, they work together and thoroughly investigate. Filing a claim direct, or accepting anything that is offered, we believe, is a mighty poor way to handle an account that, (when you O. K'd it for shipment,) your records showed was worthy of credit to the extent of your order.

From a small beginning we now have an active membership of thirty-five members and are growing all the time. Several of our members were at first very reluctant to furnish a list of past dues. This in itself is like a bad tooth, one hates to have it looked after. Yet thinking that you know all about those past dues is the wrong way to look at it. We all had this knocked out of our heads after one or two meetings.

Dividing an association up into trade groups and operating along such lines may appear to be drastic. But right now and forever more credit men have to be up and doing; for we are quite a long way from being out of the woods.

Surely we want no more guessing in the credit department.

Needless to say our members belong to our Credit Interchange Bureau and co-operate with it to the fullest extent.

### BUILDING MATERIAL

By Group Chairman Ernest H. Burgess  
Herman H. Hettler Lumber Co.,  
Chicago

My first contact with our Division was more than a year ago. The accomplishment of my first meeting was a revelation to me. Based upon by experience, the following are a few advantages and benefits of belonging to the group:

(1) It affords opportunity of becoming acquainted with the credit executives of your competitors and other lines of business that are allied with your industry. This acquaintanceship is a great aid when called upon to make a quick decision of credit on a new account, etc.

(2) Problems particularly affecting our line of business, as (for example, a recent attempt to change the Illinois Mechanic's Lien law,) enables our Division to co-operate. This matter is of vital importance to all material men supplying products to new buildings etc., whatever the material, such matters are brought to the attention of the active members of our Division at our monthly meetings, and also to the inactive members by correspondence. Thus co-operation, and frequently quick action, are secured.

(3) The interchange of credit information has proved a great benefit to a large number of our members.

(4) An active member must be kept active. His interest in association work must never lag. Once a member becomes active in these group meetings, his membership is permanent; a cancellation is out of the question. Such a member is also of great assistance to the association, because he will invite members engaged either in the same or allied business to attend these meetings. He will also use the work of the divisional trade meetings as an argument for new membership.

(5) Although the association in general is doing a wonderful work, it is at these Divisional Trade meetings that each member in attendance secures direct and lasting benefits. If a member absents himself from a monthly meeting, it is a loss not only to the member, but primarily to the concern he represents. They are the greatest losers because they have lost the benefits of the interchange of credit information.

### WOMEN'S WEAR

By Group Chairman J. E. Ehrlich  
Although the Women's Wear group division is one of the newest of the lot and has been operating a short space of time, I can conscientiously say that it has proved itself to be about as perfect a medium for the interchange of

credit information as has ever come under my observation; and I have every reason to believe that the ultimate results and accomplishments will be more than satisfactory to every individual member.

We have worked under a handicap during the summer months because of the absence of a large number of members, but I look forward to a far better result during the Fall and Winter months and there is no question in my mind whatsoever that with the added zest and interest manifested by every member after each meeting, ours will prove to be one of the most successful divisions in the association.

#### FURNITURE AND HARDWARE

By Group Chairman F. J. Wright  
Heywood-Wakefield Co., Chicago

Our division has responded nobly in attendance, even on the hot summer months; and we have discussed from 40 to 60 accounts at each meeting. In addition to the actual exchange of ledger experience, we have helped each other in studying the peculiarities and characteristics of our customers so that we are getting under their skin when we address them.

Our secretary commented one evening on the subject of attendance at women's clubs being nearly 100 per cent., all members appearing for self protection. We have never resorted to talking about absent members as a means of increasing our attendance, because we have been all trying to do a man's size job in helping each other.

We have all benefited by our meetings each month and enjoy the good fellowship expressed and implied.

#### Award of Junior N. I. C. Certificate

N. J. BUSBY, Jr., 70 Lynde Ave., Melrose, Mass., has received the Junior Certificate for the completion of the correspondence course in Credits and Collections taken through the National Institute of Credit of the National Association of Credit Men.

#### A Stone Age Relic

THE bulletin of the Memphis association mentions the fact that when an Adjustment Bureau recommends a compromise settlement or an extension, it does so only after a thorough investigation by an employe of the Bureau which gives ample justification for the proposition submitted.

"It is hard for us to understand," says the bulletin, "when a creditor insists that he will not share in the compromise or the extension and by that refusal works a tremendous hardship on other creditors. And yet just recently we had such a situation that may make it necessary for us to place the estate in the bankrupt court, where, in our opinion, the creditors will receive a very much less satisfactory settlement of their accounts than they would if the situation were handled through the Adjustment Bureau.

"Such a creditor is a relic of the stone age and not entitled to the free and full confidence and co-operation in other matters with other credit grantors."

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## Subjects for Discussion

A PAMPHLET containing fifty-five subjects for discussion and debate at meetings of N. I. C. chapters and of local associations of credit men has been prepared by Dr. John Whyte, director of the National Institute of Credit.

It is entitled, "Exchange Your Ideas on Vital Subjects," and is to be had from the National Association of Credit Men, 41 Park Row, N. Y.

### Pitfalls In Selling

(Continued from page 13)  
DELINQUENT INSTALLMENT  
ACCOUNTS

The foregoing embraces questions mostly of a legal nature. There are, to be sure, credit and collection problems to be faced requiring the most tactful and judicious handling on the part of the credit department. Where the payments are secured, credit can frequently be checked out almost indiscriminately without any apparently serious loss. At the same time, such a practice, particularly if it is coupled with a fallacious collection policy, will soon result in a tremen-

dous amount of past due money hopelessly tied up as arrears on the books. Where an installment account falls into arrears there is not only the necessity of collecting the delinquency and bringing the account up to date but the current installments must be obtained. Very often a misdirected or over-applied pressure exerted to obtain payment of a delinquency will be successful in its primary object, yet in the meantime the debtor is being so drained that current installments suffer.

There are a great many other questions. The writer has confined himself mainly to what might be called the legal aspect of the situation, not with the intention of stating the law, but for the sake of pointing out a few of the salient points learned from practical encounters with such problems.

### Formulating Foreign Trade Policies

(Continued from 19)

when it had secured favorable information. It declared that in all its years of export business it had never lost a dollar through a bad debt. Another factory, in Chicago, extended varying terms up to ninety days depending upon the financial standing of the customer. This manufacturer used the Foreign Credit Interchange Bureau of the National Association of Credit Men and had found it eminently satisfactory. On the other hand a large accessory manufacturer in the Far West sold only on a cash basis and had therefore had no occasion to secure credit information. However, this Far West concern added that although in the domestic market large sales were enjoyed, export business was in limited quantity! A manufacturer near New York, selling spare parts, also sold on F. O. B. basis only, which, of course, cannot be considered export terms. One of the world's largest manufacturers of lamps replied that he sold on a term draft basis charging interest for the time the draft was outstanding. A New York State manufacturer gave terms up to ninety days if credit were good and secured information from R. G. Dun & Co. and Bradstreet's. A house in Central New York also extended terms up to ninety days, depending on the kind of business, on what country the shipment was going to and on other factors which determined in a large measure the methods of payment to be expected. The export manager wrote: "There should be no hesitancy in doing this if you are familiar with the customer and are sure of his responsibility."

He secured all credit information through R. G. Dun & Co., or the bank familiar with the particular country in which the business arises.

### OPERATING IN THE DARK

Most of the other houses replying were as much in the dark regarding export procedure as our company was. The Foreign Credit Interchange Bureau of the National Association of Credit Men has a great work to perform in educating such houses to appreciate and understand the possibilities of export business on a credit basis undertaken with no more risk than is to be found in a domestic account. If some manufacturers can extend thirty, sixty or even ninety days credit to certain overseas customers who have met their obligations promptly, there is no reason why others in the same line can not do the same thing. The same factors which are important in judging a domestic credit risk apply to overseas accounts. The same three C's should be considered. The Character, Capital and Capability of a merchant in Cairo, Egypt, should determine whether or not he is entitled to credit just as these elements fix the credit of a merchant in Cairo, Illinois. The main difficulty up to the present time has been the securing of the information on which to pass credits. Many manufacturers do not care to go to the trouble of writing overseas and even when they do, the replies are not what they should be.

An interchange of experiences among American manufacturers based on their own ledger experiences will enable credit judgment to be passed upon Jose Martinez of Buenos Aires, just as easily as upon John Smith of New York. If factories A, B, and C have extended thirty days credit to the man in Buenos Aires, and he has always met his obligations promptly, there is no reason why factory D should hesitate in doing likewise. If, on the other hand, the factories A and C have had a difficulty with the applicant for credit accommodations, it is just as logical to turn down the credit. It is upon that sound theory that the Foreign Credit Interchange Bureau of the National Association of Credit Men has been established.

With business in the United States becoming more competitive than ever, it is the duty of the credit man to assist the sales department in making the 20 per cent. export market available. A sane credit policy should be laid down for export business. Then, if the product is right, if it has a legitimate export market, and if the foreign sales plan is right, some fine business can be expected.



## World Conditions

(Continued from page 14)

building regardless, building whether upon rock or clay or sand, building cautiously, safely, building over weak spots, but not without proper regard to them—but always building, which will make this badly mused up old world of ours look as it should once more. He, the credit man, is a good sport, but not a reckless one. He knows how to take a chance, but he knows also how to measure a danger. He has the courage to say "No," when a case seems hopeless, but he also possesses the nerve to say "Yes," when any substantial ray of hope shows, even in a situation which is not in the least to his liking. He takes things as they are, not as he would like them to be, and is trained to make the most and the best of things as they are, and in his judgment accept the fullest measure of responsibility.

It is most unfortunate that it does not seem possible to get a little of this broad credit-man spirit into the world of politics, which apparently is making such slow progress toward the solution of the Big Problem. The good old before-the-war art of taking a chance occasionally, seems to have passed out of existence. Everybody is playing safe, or trying to play safe, which is quite another thing. This suggests no unusual quality of merit. It is easy to play safe if we are willing to accept the limitations which go with the fact of absolute safety. But this means stagnation and decay and death. It is easy to build walls against invasion, but it is easy also to build these walls so high as to keep out the air and sunlight necessary to sustain life and health within. England and France and Italy and Turkey and Greece and Germany, and the rest of them all are playing safe, or deluding themselves with the belief that what they are doing tends towards greater safety and better things for their own nation and national interests. But the world sees in it all nothing but danger; how grave a danger, no one can say at this time, but grave enough, at least, to turn our thoughts from time to time away from the constructive possibilities on ahead, back towards the terrible lessons of a world war which need not have been necessary had the nations of Europe over a period of scarcely less than a hundred years, built their national walls a little lower and let into their national and particularly their political life, a little more of the clear sunlight and pure air which are found only in a situation in which the principle of "Live and let live" has taken on a definite meaning.



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National Association of Credit Men  
41 Park Row, N. Y.

It is difficult at the present time to say anything cheerful about the possibilities of the foreign trade of our nation. Our customers abroad are not buying, for reasons which are perfectly good, and which are understood thoroughly by every credit man. They may be expected to continue in this position until time and effort—and trial and suffering, too, perhaps—have brought to the nations of Europe realization of certain fundamental facts which at present they seem unable to realize. For a time, it seemed that we in the United States, with our more fortunate situation, would be able to force the development of conditions which would bring our formerly good foreign customers back into the field of active buying again. Plans galore were suggested for the financing of our export trade. It took us some time to grasp the soundness of the theory that it is always well worth while to make it possible for an embarrassed good customer to buy without crippling himself permanently. But we did get the idea after a while. Then came these plans, some of them excellent as plans, none of them without substantial merit. But they wouldn't work—not yet. Each of them contemplated a situation which did not exist. Each presupposed a willingness upon the part of the American public to save and from their savings to invest in the securities of customer countries abroad. In this expectation these plans were wrong, and it is due to this fact more than to any other that most of them now find themselves in some sympathetic waste basket.

It is therefore safe to say that credit men are not interested just now in any immediate credit problem connected with the sale of United States goods abroad. But in the conditions underlying our trade with foreign countries, credit men are deeply interested; and it is fortunate, indeed, for the business of

this country that the National Association of Credit Men with its local credit organizations throughout the country, so fully realize the importance of these underlying conditions and the importance of a careful study of them by men engaged in credit practice.

#### WHAT IS WRONG?

And what is wrong with it all, from the credit man's point of view? What is there in the countries of Europe which makes impossible or undesirable the active extension of credit to customers who, in the past, before this war disturbance, had shown conclusively to the world that they were entitled to the fullest measure of credit consideration? Is it a case in which "every prospect pleases and only man is vile?" I think not. The people of Europe—the very people to whom we deny the credit they need—are just as good, just as honest, just as industrious as they were in the best of the old days when trade with them brought to us so much of pleasure and profit. The surface of the country presents every appearance of prosperity and promise; the values are there in the same old places. The rivers flow in the same courses and their waters are emptied into the same seas; the mountain ranges stand where they stood, and their effects upon climate and vegetation and rainfall, and life generally, is as it was. Wheat will grow where it grew, and cattle graze on the old fields, and manufacturing populations will continue to create value, and the trader will trade. And the whole machinery of business life goes on apparently just as it went on before.

But still, the situation, the business situation is different. The heart of it has changed. We are obliged to believe that no great process of destruction like this World War could come and go without leaving behind it some great measure of good for men—all men, even for those who suffered most severely from its destruction. This we believe almost as a matter of religious faith. But however difficult it might be to prove this cheerful theory, there should be no difficulty in realizing that the War brought into the world other things not for the good of men, which will remain in some measure long after the last visible evidence of war's destruction has gone. The great harm was done to men's minds, and more importantly, perhaps, to national minds. We hear much talk nowadays of the importance of co-operation, of the desirability of nations getting together in the interest of the common cause.

And still, it would be difficult to imagine a time in all history when nations in their active operations expressed less charity and friendliness and toleration and forbearance than now.

#### GETTING ALONG TOGETHER

The difficulty is that we have talked perhaps too much about "getting together" and not enough about "getting along together." We attach too much importance to the theory of co-operation and too little to the spirit of co-operation. If we thought at all about getting along together, we were disposed to allow the other fellow to do the getting along. We are all agreed as to the desirability of men co-operating, but how many of us are willing to pay the price, to make the concessions, to develop the spirit without which no getting together either of men or nations of men can be worth while? It would be difficult to imagine a normal human being who would not be inspired by a desire both to get together and to get along with other men, with all men. And the same is true of nations of men. But we need not draw upon our imagination in these times to realize that men and nations are not willing, are not ready to make these concessions which will form the basis upon which a proper getting together and proper and effective co-operation may be built.

Another way of looking at it is to say that the easy thing, the comfortable thing is not to be found in getting together among nations, but rather in a national staying apart. That is the way it was before the War. Nations came together once in a while, but in no serious spirit. It was a sort of social matter, a party affair. If any of the callers was out of sympathy with what was going on at the party, or if a particular guest became sleepy and yawned out loud, it was always possible for him to leave without breaking up the party. Some of the nations present might feel a bit miffed and discuss it in a not overly charitable way. But that too was in the realm of things social and not intended to do any real harm to the offending member. It was delightful and easy and so simple that everybody was more or less "friends" with everybody else.

But no more. That was all changed by the War. The nations now are together, seriously together. The can "get along" together or not, just as they choose. If they are unable to make the mutual concessions demanded by worthwhileness, there will be trouble, continual trouble, just as there is trouble in certain sections of the Near East at the pres-

ent time. It will not be difficult to speculate as to the possibilities of American trade in that particular part of the world, and our friends in the credit business will find themselves devoting most of their attention to domestic problems. If, on the other hand, these nations can meet upon some mutually agreeable basis, if they can come to realize that "scoops" are out of style nowadays, and that "national force" has lost much of the driving power it seemed able to exert in the old days—in other words, if they can come to realize that progress between nations, as between individuals whose interests differ, must find its principal hope in the theory of compromise; if there can be injected into the European political situation even a little of the spirit which must actuate any plain, every day credit man who does his work according to his best judgment and the rules of the game, then we may hope for a real European "getting together." Until then, the situation as regards foreign trade will be found slow and uninteresting and unprofitable.

It is interesting to note the difference between the "get together" spirit which characterized the War, and the "get together" spirit of the present day. Then the nations leaned against each other—now they push. It's different, you know. Some of them are even so rude as to do a bit of shoving at one point or another. But they are together, and they must remain together until affairs are cleared up sufficiently to enable them to stay apart again. In this particular, we in the United States are fortunate. We have not been thrown into the realm of confusion so definitely as have the nations of Europe. We have interests in Europe and everywhere else, naturally—material interests, and of course, sentimental interests, both of which will be fully looked after as opportunities present. But the principal difference is that while the nations of Europe seem to have been thrown together politically, or at least in such a way as to develop serious political problems, in the solution of which they seem mutually and directly interested, we have been able to keep clear of political participation in that situation.

#### LESS POLITICS AND MORE BUSINESS

Thus far we have refused to enter the European political arena. This is not because we lack courage, not because we do not recognize the fact of our responsibility as a creditor nation in the world, not because we are unwilling to exercise liberality in the treatment of our friends on the other

## 31,600 Credit Men Own the Credit Monthly

**They read their professional magazine, and answer the advertisements printed in it.**

**The result is that advertising in the CREDIT MONTHLY pays, as is indicated by the following letter:**

#### *From a National Advertiser of Office Equipment*

"Our advertisement in the Credit Monthly enabled us to bring our \_\_\_\_\_ interestingly to the attention of these very important officials in a national way, something that we could not have accomplished by any other means.

"I congratulate you on the very live and efficient make-up of the Monthly. Such articles as those being written by Mr. H. P. Reader of the Interwoven Stocking Co., should certainly be very interesting and helpful to the up-to-date credit man, and not only to him, but to business men generally.

**Mr. Credit Manager: Show the above to your Advertising Manager and tell him you are a close reader of the Credit Monthly.**

side, but because we realize and realize fully that there is no quality of participation in the European situation of which we are capable, which will bear anything like proper fruits, until there has been developed among these nations a spirit of co-operation, a spirit of "get together." And more important than this, is a spirit of "getting along together," which will create an atmosphere in which our efforts might produce good, instead of harm. When that spirit begins to develop in Europe, there can be no doubt as to our serious responsibility to "get together" with these nations we are so anxious to assist. Until that spirit has been developed, or at least until there is brought into the situation, substantial evidence of a disposition to develop such a spirit our proper line of action clearly is to stay out, to "stay apart." Our domestic political problems are none too easy for our capacity. Let us work upon them for a while, and give time a chance to clear the disturbed field for our efforts later on. As the

world stands just now, and as it must stand until in the hearts of her nations a new spirit of co-operation and compromise has been born, our place in the picture will be at home, trading abroad when we can, helping whenever a chance to be effectively helpful presents, and always trying to strike a proper balance between the good intentions we have and the existing possibility of giving these intentions effective expression.

If the nations would seriously endeavor to get started on a schedule of "less politics and more business," if they would think less about "getting together" and more about "getting along together," if they would develop a willingness to pay the price for the good things to which we all look forward, the problem of foreign credit extension would clear up in a manner beyond the dreams of the most optimistic, and the speed with which business and finance and credit, and even politics, would straighten out would surprise and delight us all.



## Savoir Faire in Correspondence

(Continued from page 37.)

word, yet somewhere between the lines may be concealed a sentiment that cannot be misconstrued; or further still, either intentionally or unintentionally, our letters may be so worded as to set up between the writer and reader a restraint impossible to overcome, try as hard as we may to overcome it. My own experience is sufficient to confirm this.

It happens in my line of work that all complaints and deductions, all those troubles that are a part of every business organization, are handled in the credit department and come under its supervision. The handling of these matters is a delicate task. A customer may, for instance, flare up more quickly over a fifty cent deduction, just or unjust, than over fifty stiff, dunning letters. A few months ago we lost a good customer,—a mail order customer too,—by a simple slip of expression in the wording of a letter.

In our personal relationships, as man to man, we exercise much care and discretion in the choice of words to express our sentiments and to make known our purposes. We exercise this care for the reason, first that we have a due regard for the other fellow's rights, and second, we recognize that the opinions, likes and dislikes of our fellow-men are based directly upon our conduct as it is reflected in our treatment of them. In as much as letter-writing is but a long distance conversation at best, why should it be thought pardonable to waive the rules we recognize in personal intercourse, and indulge in careless, inconsiderate language in our correspondence?

## THE OTHER FELLOW'S PROBLEMS

Sometimes, unfortunately, we lose sight of the fact that the merchant to whom we address ourselves has his problems just as we have ours; that he is susceptible to the same conditions that govern us. It is true he owes the house, and the house wishes him to discharge the obligation. It becomes necessary to impart this information to the debtor. He does not accede to our request. We write him again without getting the desired result. We become impatient, not particularly because he has not paid, but because our courteous letters have gone into the wastebasket apparently unnoticed. Our next letter is less cordial; and finally, having attempted to impart a distinctly frigid atmosphere, we have succeeded in placing the debtor in a mental attitude that is positively unreasonable.

Of course, it is possible that your

letters, if written in a vein of courteous and sincere consideration, yet embodying the frank statement that the debtor must discharge his obligation, would not have had better result and attained the supreme object of getting the cash. The letter of courtesy, however, gives the customer a clear impression of your personal desire not to humiliate or embarrass him; you have held him in a frame of mind that will compel him to look upon you as a grantor of credit who, though firm in your position, has not found it necessary, because of a failure to pay, to resort to unfriendly, discourteous, sharp letters to force collection of money justly due.

Most of us subconsciously draw mental pictures of our customers after we have dealt with them awhile. Without ever having seen them, we form quite definite ideas of their character and capacity. In writing them, therefore, we should be able to make our letters carry as nearly as possible the impressions they would get in conversation injecting that personal touch that appeals to all of us. We should place ourselves in the debtor's shoes.

## AN UNFORGETTABLE REPLY

I shall never forget a reply to a letter I wrote some years ago when I was helping my father in a country store. I was a lad in my teens. We shipped quantities of country produce to the city and almost invariably were disappointed in returns as to weights, prices, etc. In this instance we tried a new account. In addition to disappointing returns, there came back an error in the extension of the account sales. My letter to the commission merchant was rather sarcastic for a boy of my age, but his reply was most courteous. It called my attention to the fact that none of us are infallible, that in the hurry of business all will make mistakes. This letter stung to the quick. His superiority and command of the situation due to his courtesy in face of my provoking letter will not be forgotten.

Sarcasm is a dangerous tool to employ in correspondence, and it is well for all of us to bear in mind Shakespeare's word, "*Sarcasm is a two edged sword, which oft recoils to wound the hand that wields it.*"

It may seem preferable at times to inject a sting into a letter. However, should the recipient of the letter be subjected to that painful procedure, by all means and above all other things, do not fail gently but surely to draw the "sting" before you say "Yours very truly". Unless the sting is drawn and the pain al-

leviated, "Yours very truly" becomes mere hypocrisy which cannot hide an evident intention to hurt.

## Addresses Wanted

BELMONT, formerly located at 2487 Broadway, New York City.  
BERNSTEIN, SIMON, formerly conducted a shoe store at Bridgewater, Maine, and left there for Montreal, Canada.  
BRASCO, SAM, formerly of 711 Taylor Street, Chicago, Ill.  
BROWN, S. M., formerly located at Camden, N. J.  
CARTER, A., formerly of 1728 Lake Street, Chicago, Ill.  
CARTWELL, R. W., formerly conducted shoe store under style of R. W. Cartwell Boot Shop, at Tulsa, Oklahoma.  
CLARK, GEO. ANTON, formerly located at Cleveland, Ohio.  
COFF, WM. C., formerly of New York City. Reported to be in Philadelphia.  
COLLIER, I., 4521 State Street, Chicago, Ill.  
DARLING, E. W., contractor, previously lived in Chicago. Now said to be in an Atlantic Coast Line State.  
EBER, HUGO, formerly located at Young America, Minn.  
ESKAY RADIO CO., 1707 West 8th Street, Brooklyn, N. Y.  
FLORENCE OPTICAL CO., Scranton, Pa.  
FROZEN WONDER, ice cream manufacturers, Ph. Goldstein, Treasurer, formerly located at 112 West 116th Street, New York City.  
FRUIT & COMPANY, Hutchinson, Kansas. Reported to have moved to Oakland, Cal.  
GREENBURG, AL., last known address Maywood, Ill.  
GREENE & CO., formerly located at Philadelphia, Pa.  
HALES, G. W., formerly of Philadelphia, Pa.  
HENING, L., formerly of Brooklyn, N. Y.  
JUDAH, FRANK M., formerly of Bedford, Indiana, later of Cleveland, Ohio.  
KENNEDY, V. C., formerly located at El Paso, Texas.  
LEVY, I., formerly of New York City.  
LOWE, BEN, formerly doing business as the Ideal Paint & Glass Company, at Kansas City, Mo. Reported to have gone to Colorado.  
MAREA, ALEX, formerly of 2135 Harrison Street, Chicago, Ill.  
MAX BROTHERS, previously in the hardware business at 1364 Michigan Avenue, Detroit, Mich., later moving to 1360 Gratiot Avenue, Detroit.  
MILLS, P. C., formerly located at Danville, Va.  
OLSON, RUBEN N., formerly of Minneapolis, Minn.  
PARRAMORE, J. E. formerly of Hooker, Okla.  
PEARLMAN, S. R., formerly of Washington, D. C.  
PELLETT, W. J., formerly of Webb City, Mo.  
PIONEER ELECTRIC CO., A. Lichstein and J. Sharin, Proprietors, 170 Broadway, New York City.  
PROCTOR, W. C., formerly of Rocky Mount, N. C.  
REAMS, R. M., formerly of Ashland, Ohio.  
RENARD TRADING COMPANY, 120 Liberty Street, New York City.  
RINGLER, E. E., formerly located at Havre de Grace, Maryland.  
ROSENZWEIG, M., merchant tailor, formerly doing business at 856 Cauldwell Avenue, New York City.  
SAMUELSON, J., formerly of 1449 S. Lawndale Avenue, Chicago, Ill.  
SLAWSON, EARLE B., last known address Toledo, Ohio.  
SPANGLER, SAM, formerly of 1425 Elborn Street, Chicago, Ill.  
SPRING, A. J., formerly in roofing business in San Jose, California. Last heard of in Los Angeles and Salt Lake City.  
STINE, M., formerly of 1325 Huron Street, Chicago, Ill.  
STORE, M., formerly of 1325 Huron Street, Chicago, Ill.  
SWEAT, W. J., recently of Beach, Georgia.  
TORTORICI, CHARLES, merchant tailor, formerly doing business at 465 Third Avenue, New York City.  
WILLIAMS, J. W., formerly located at Savannah, Georgia.  
WILLIAMS, N., formerly of 5957 State Street, Chicago, Ill.  
YESNER, JEROME, previously conducted a shoe store at Bangerville, Maine. Believed now to be in Boston, Mass.  
ZAZULEY, MARTIN, also trades under name of Martin Zala, formerly located in New York City.  
ZIMMERMAN, J. S., previously operating in Ottawa, Kansas. Recently operated at Topeka, Kansas, under name of Zimmerman Shoe Company.

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# Directory of Officers Affiliated Branches National Association of Credit Men

Note: A. C. M. means Association of Credit Men.

ALABAMA, Birmingham—Birmingham A. C. M. Pres., T. M. Nesbit, Moore & Handley Hdw. Co.; Sec., Jas. A. Garrett, McLester-Van Hoose Co.; Mgr., R. H. Eggleston, Chamber of Commerce Bldg.

ALABAMA, Montgomery—Montgomery A. C. M. Pres., I. Moog, Winter-Loeb Gro. Co.; Sec., J. M. Holloway, 81 Vandiver Bldg.

ALABAMA, Selma—Selma A. C. M. Pres., H. G. Pattillo, Pattillo & Russell; Sec., R. S. Carothers, Selma Hardware Co.

ARIZONA, Phoenix—Arizona Wholesalers' Board of Trade, Phoenix. Pres., Geo. C. Miller, Arizona Hdw. Supply Co.; Sec., Homer F. Allen, Nat. Bank of Arizona Bldg.

ARKANSAS, Fort Smith—Fort Smith A. C. M. Pres., W. J. Murphy, W. J. Murphy Saddlery; Sec., John Laws, Atkinson-Williams Hdw. Co.; Asst. Sec., Mrs. Ethel Bolinger.

ARKANSAS, Helena—Helena A. C. M. Pres., O. V. Luke, McKee Wholesale Hdw. Co.; Sec., W. C. French, P. O. Box 618.

CALIFORNIA, Los Angeles—Los Angeles A. C. M. Pres., R. L. McCourt, Calnevar Shirt Co.; Sec., E. L. Ide, 312 E. 3d St.

CALIFORNIA, San Diego—Credit Association of San Diego. Pres., J. L. Doyle, Doyle-Barnes Co.; Sec., Carl O. Retsloff, 573 Spreckels Theatre Bldg.

CALIFORNIA, San Francisco—San Francisco A. C. M. Pres., E. C. Gayman, Sperry Flour Co.; Sec., Felix S. Jeffries, 605 Wells Fargo Bldg.

COLORADO, Denver—Denver A. C. M. Pres., F. Brueggemann, Bourk-Donaldson, Taylor, Inc.; Sec., C. J. Leimer, The Continental Oil Co.; Asst. Sec., David F. Lowe, 414 Empire Bldg.

COLORADO, Pueblo—Pueblo A. C. M. Pres., Olin Roush, Armour & Co.; Sec., Mr. Riley, Pueblo Flour Mills; Asst. Sec., F. L. Taylor, 747 Thatcher Bldg.

CONNECTICUT, Bridgeport—Bridgeport A. C. M. Pres., W. B. Coleman, R. G. Dun & Co.; Sec., D. A. McCarthy, Miner Read & Tullock.

CONNECTICUT, Hartford—Hartford A. C. M. Pres., L. W. Young, Stanley Works, New Britain; Sec., H. L. Page, Whitlock Coil & Pipe Co., Elmwood.

CONNECTICUT, New Haven—New Haven A. C. M. Pres., Wallace C. Hutton, Seaman's Rubber Co.; Sec., Arthur Mahoney, Sargent & Co.

DIST. OF COLUMBIA, Washington—Washington A. C. M. Pres., W. C. Hanson, E. G. Schafer Co.; Sec., R. Preston, Shealey, 725 Colorado Bldg.

FLORIDA, Jacksonville—Jacksonville A. C. M. Pres., L. L. Lutz, Farquar Machinery Co.; Sec., R. A. Yockey, Cohen Bros.

FLORIDA, Tampa—Tampa A. C. M. Pres., W. C. Thomas, Tampa Hardware Co.; Sec., L. A. Thayer, Tampa Hdw. Co.

GEORGIA, Atlanta—Atlanta A. C. M. Pres., H. E. Moody, R. M. Hollingshead Co.; Sec., C. L. Williamson, 305 Chamber of Commerce Bldg.

GEORGIA, Augusta—Augusta A. C. M. Pres., R. A. Heath, Heath, Bolster & Turner; Sec., P. H. Dunbar, Clark Milling Co.

GEORGIA, Macon—Macon A. C. M. Pres., Wilbur M. Collins, The Danneberg Co.; Sec., J. Tom Dent, S. R. Jacques & Tinsley Co.; Mgr., A. F. McGhee, Room 5, Jacques Bldg.

GEORGIA, Savannah—Savannah A. C. M. Pres., S. Mohr, L. Mohr & Sons; Sec., F. P. Colquitt, 35 Barnard St.

IDAHO, Boise—Boise A. C. M. Ltd. Pres., C. W. Dirks, Falk Wholesale Co.; Sec., D. J. Dirks, 216-218 Boise City National Bank Bldg.

ILLINOIS, Chicago—Chicago A. C. M. Pres., Edw. F. Reiter, Consumers Co.; Sec., J. F. O'Keefe, 10 South La Salle St.

ILLINOIS, Decatur—Decatur A. C. M. Pres., C. J. Doyle, Elliott Commission Co.; Sec., R. L. Smith, Decatur Gro. Co.

ILLINOIS, Galesburg—Galesburg A. C. M. Pres., James E. Marks, Weinberg Bros.; Sec., J. Willis Peterson, Galesburg Chamber of Commerce.

ILLINOIS, Peoria—Peoria A. C. M. Pres., Carl F. Hasch, The Central National Bank of Peoria; Sec., H. F. Schmer, 229 So. Jefferson Ave.

ILLINOIS, Quincy—Quincy A. C. M. Pres., E. S. Thomas, Collins Plow Co.; Sec., Frank Rothgeb, Quincy Confectionery Co.

ILLINOIS, Springfield—Springfield A. C. M. Pres., Robt. Patton, Jageman-Bode Co.; Sec., John B. Midden, Smith LaFayette Gro. Co.

INDIANA, Evansville—Evansville A. C. M. Pres., E. K. Scherer, Evansville Metal Bed Co.; Sec., H. W. Voss, 108 S. 4th St.; Asst. Sec., C. Howard Saberton, 108 S. 4th St.

INDIANA, Ft. Wayne—Ft. Wayne A. C. M. Pres., Stanley G. Butler, Wayne Knitting Mills; Sec., Arthur W. Parry, 611 Shoaff Bldg.

INDIANA, Indianapolis—Indianapolis A. C. M. Pres., John C. Rugenstein, The Indianapolis News; Sec., K. E. Smith, 309 Peoples Bank Bldg.

INDIANA, South Bend—South Bend A. C. M. Pres., J. C. Locke, Mishawaka Woolen Co.; Sec., H. A. Smith, South Bend Lathe Works.

INDIANA, Terre Haute—Terre Haute A. C. M. Pres., Chas. E. Parker, Samuel Frank & Sons; Sec., Anton E. Gocke, C. W. Bauermeister Co.

IOWA, Burlington—Burlington A. C. M. Pres., E. G. Koonz, John Blaul's Sons Co.; Sec., J. E. Jamison, Parsons Block.

IOWA, Cedar Rapids—Cedar Rapids A. C. M. Pres., L. D. Burgess, John Baul's Sons Co.; Sec., C. F. Luberger, 504 Mullin Bldg.

IOWA, Davenport—Davenport A. C. M. Pres., Fred L. Ray, Crescent Macaroni & Cracker Co.; Sec., H. B. Betty, 401 Putnam Bldg.

IOWA, Des Moines—Des Moines A. C. M. Pres., A. H. Edwards, Amer. Litho. & Printing Co.; Sec., Don E. Nieman, 820-824 Fleming Bldg.

IOWA, Ottumwa—Ottumwa A. C. M. Pres., E. V. Pollock, J. W. Edgerly & Co.; Sec., Wm. A. Hunt, Suite 3, Phoenix Trust Bldg.

IOWA, Sioux City—Sioux City A. C. M. Pres., Geo. A. Junk, Hornick, Moore & Porterfield; Sec., John Bohm, Sioux City Iron Co.; Asst. Sec., Joe Garretson, 601 Trimble Bldg.

IOWA, Waterloo—Waterloo A. C. M. Pres., H. O. Barton, Cutler Hdw. Co.; Sec., G. B. Worthen, 412 L. & J. Bldg.

KANSAS, Wichita—Wichita A. C. M. Pres., Marvin F. Whitlow, Jett & Wood W. C. Co.; Sec., Harry A. Smith, Johnston-Larimer Dry Goods Co.; Asst. Sec., M. E. Garrison, 901-4 First Nat. Bank Bldg.

KENTUCKY, Lexington—Lexington A. C. M. Pres., A. B. Beldt, C. S. Brendt Seed Co.; Sec., John D. Allen, 412 Fayette National Bank Bldg.

KENTUCKY, Louisville—Louisville A. C. M. Pres., Luther C. Reynolds, Louisville Seed Co.; Sec., Chas. Fitzgerald, 45 U. S. Trust Bldg.; Asst. Sec., W. H. Hagan.

LOUISIANA, New Orleans—New Orleans A. C. M. Pres., S. G. Steiner, Parke Davis & Co.; Sec., T. J. Bartlette, 608 Louisiana Bank Bldg.

MARYLAND, Baltimore—Baltimore A. C. M. Pres., Henry E. Treide, Treide & Sons; Sec., Ira L. Morningstar, 100 Hopkins Pl.

MASSACHUSETTS, Boston—Boston A. C. M. Pres., Edward L. Harris, Swift & Co.; Sec., Herbert A. Whiting, 136 Federal St.

MASSACHUSETTS, Springfield—Western Massachusetts A. C. M. Pres., Stanley S. Shepard, Try Me Mfg. Co., Westfield, Mass.; Sec., Treas., Fred H. Rich, 48 Converse St.; Longmeadow, Mass.

MASSACHUSETTS, Worcester—Worcester A. C. M. Pres., John R. Hurley, Graton & Knight Mfg. Co.; Sec., Henry L. Gilson, Marble-Nye Co.; Asst. Sec., R. C. Finley, Box 58.

MICHIGAN, Detroit—Detroit A. C. M. Pres., George A. Palmer, Farrand, Williams & Clark; Sec., O. A. Montgomery, 2021 First Natl. Bank Bldg.

MICHIGAN, Grand Rapids—Grand Rapids A. C. M. Pres., Fred R. May, Grand Rapids Belting Co.; Sec., Frank V. Blakely, 450 Houseman Bldg.

MICHIGAN, Jackson—Jackson A. C. M. Pres., F. L. Bomhoff, Jackson Steel Products Co.; Sec., Treas., D. G. Crawford, Hayes Wheel Co.

MICHIGAN, Kalamazoo—Kalamazoo A. C. M. Pres., Frank D. Fuller, Fuller & Sons, Mfg. Co.; Sec., F. G. Dewey, Kalamazoo City Savings Bank.

MICHIGAN, Lansing—Lansing A. C. M. Pres., W. M. Howland, Dudley Paper Co.; Sec., J. Earl Brown, 608 State Savings Bank Bldg.

MICHIGAN, Saginaw—North Eastern Michigan A. C. M. Pres., Frank Kirchman, Kirchman Bros., Bay City; Sec., Lyle M. Clift, Bay City, Mich.

MINNESOTA, Duluth—Duluth A. C. M. (Duluth-Superior). Pres., J. D. Patterson, Marshall-Wells Co.; Sec., E. G. Robie, 415-419 Lonsdale Bldg., Duluth.

MINNESOTA, Minneapolis—Minneapolis A. C. M. Pres., Paul R. MacMichael, Winston, Harner, Fisher Co.; Sec., J. L. Brown, 414 South Third St.

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**ASSISTANT CREDIT MANAGER**—Age 26, single, Christian. Over three years' experience in credits, collections and accountancy. University training. Now employed with a large manufacturing concern, but desire change for the better exercise of my technical and practical knowledge. Excellent references. Salary \$2,000. Address Advertisement 728.

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"An 'at once' order, where there is a large past due account, is not an order—it is an embarrassment."

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"An order, that does not show every special condition entered into between the salesman and the customer, is not an order—it is a breeder of misunderstanding and dissension."



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# The Trust and Monopoly Problem in the United States

From a National Institute of Credit Lecture

By Prof. Eugene E. Agger, Columbia University

HE terms "trust" and "monopoly" are indiscriminately applied to combinations large and small, local and national, irrespective of the attending conditions.

The original "trust" was the Standard Oil Trust. It got its name from the fact that certain properties combined under the control of a board of trustees who issued "trust certificates" to the owners covering the property put into the combination. Earnings were distributed on the basis of these certificates and the management was thus centralized in the board of trustees.

The word "monopoly," on the other hand, means literally a single seller. It is doubtful that we have in any important field of business a real monopoly of this kind. But monopoly of a degree sufficiently substantial to influence price is common enough, and important enough to justify careful thought and study. In most cases monopoly is sought to prevent the normal tendency of competition to reduce prices.

Although a monopolist cannot "dictate" a price, as is often asserted, he can often bring about a fair market condition where prices, to his profit, are fixed at levels other than those which free competition would establish.

There are different types of monopoly. One of the best and most useful schemes of classification is that given by Professor H. R. Segar, as follows:

1. Legal monopolies.
2. Natural monopolies.
  - a. Of situation.
  - b. Of organization.
3. Capitalistic monopolies.

## Legal Monopolies

Legal monopolies are both public and private. The Post Office is the outstanding example of public legal monopolies. Their purpose is public, sometimes fiscal, sometimes moral, sometimes strategic and sometimes a combination of these or other social purposes.

If they serve their purposes well and on a basis of economy and efficiency their monopoly organization is likely to benefit, rather than to be detrimental, to the public interest. Private legal monopolies offer a somewhat more ticklish problem because benefit from monopoly power accrues to private rather than to public interest. "Patents of monopoly" were more common in earlier times than they are now.

Certain companies, like the famous East India Company, were granted the sole right of trading with certain sections of the world. In our country opposition to monopoly grants was from the beginning so determined that most state constitutions as well as the Federal constitution contain provisions against them. Moreover, contracts in restraint of trade are regarded as abhorrent to the public interest.

Practically the only forms of private legal monopolies which remain are patents and copyrights and charters granted to central banks enjoying the sole power of note issue. The issue of monopolistic "letters patent" and of copyrights is expressly permitted in the United States by the Federal constitution. The purpose of these rights is to stimulate creative efforts in inventors and authors.

## Natural Monopolies of Situation

Natural monopolies of situation are those which grow out of ownership or control of restricted natural resources or locations. Owners of mineral or hot springs may enjoy practical monopolies in the exploitation of such resources. Such small local monopolies are not likely to be socially significant. More important are monopolies of the type of the anthracite coal combination in the United States and the De Beers Diamond Syndicate in South Africa. These control limited areas of important raw material. The number of natural monopolies of situation is not great, and in the United States no distinctive policy of regulation has been applied to them. In so far as they have been subject to attack it has been in connection with the general anti-trust policy.

## Natural Monopolies of Organization

In this class come those monopolistic organizations which result from peculiarities inherent in the nature of the businesses with which they are concerned. In any business

where increased output tends consistently to reduce the cost of production per unit of output there is a tendency toward monopoly.

The most numerous group of businesses in this class is found in the field of municipal utilities—water, gas, electric light, street railways, telephones, etc.

The heaviest expense in connection with such business is the original capital outlay. Thereafter the so-called "fixed expenses" constitute such a large proportion of total annual expenses that expanding business adds comparatively little to expenses as a whole.

When the attempt is made to force competition between two organizations of this kind in the same line and in a given market the larger and more powerful rival completely overcomes and absorbs the weaker or an agreement eliminating competition between them is arrived at. In either case the result is monopoly.

Two general methods of dealing with municipal utility monopolies have been proposed. The one method is that of municipal ownership while the other is that of public supervision and regulation.

## Arguments in Favor of Municipal Ownership

1. Since profit is no longer the predominant consideration the quality of the service will be better and charges will be on a basis of cost.
2. Franchise scrambles by private corporations with the resulting corruption of municipal politics will be eliminated.
3. A better type of men will be attracted to municipal office.
4. Social considerations like the relief of congestion in crowded neighborhoods would lead to policies of extension, etc., which on a pure profit basis would be neglected.

## Arguments Against Municipal Ownership

1. Experience is against the assumption that better service will result.
2. As public business is inefficiently conducted the chances are that the cost of service will be increased rather than decreased. This cost will have to be covered by higher charges or there will be additional burdens added to the taxpayers.
3. Far from eliminating political corruption municipal ownership would under present conditions afford unheard of opportunity to the spoilsmen in politics.
4. Municipal ownership is bound to be characterized by rule-of-thumb methods of procedure and improvements in methods and service would rarely be made under such circumstances. Progress would therefore be stifled.

## The Railways

In importance and in structure the railways must be considered as a separate form of monopoly of organization.

Railway expenses are classified as follows: Maintenance of way expenses; maintenance of equipment expenses; expenses for conducting transportation; general expenses. These are operating expenses besides which there are the fixed expenses of interest on bonded indebtedness, etc. Once a railroad system is established, additional traffic does not add proportionately to expense.

Railroad competition has always been peculiarly fierce and destructive and has carried with it intolerable abuses and results. Today, however, the destructive rate wars which characterized early railway competition, and the abuses of discrimination are no longer tolerated. Beyond all other businesses that of the railway is "affected with a public interest" and is subject to a system of supervision and control quite beyond that in any other line.

Governmental regulation of railways in the United States has been of two kinds, that by the state and that by the national governments; but the whole tendency has been toward a broadening of the control of the federal government and toward a consequent restriction of individual state regulation.

The first federal law dates from 1887. This act forbade discrimination, prescribed "reasonable" rates, prohibited "pooling" among railways and endeavored to deal with the "higher rate for a shorter haul" problem. It also created the Inter-State Com-

merce Commission. Other important legislation since that time bearing on the railway problem is: the Sherman Anti-Trust Law of 1890 which was interpreted to forbid railway combinations; the Elkins Law of 1903; the Hepburn Law of 1906; the Mann-Elkins Act of 1910; and, the most recent, the Esch-Cummins Bill of 1919.

For years there has been an agitation in favor of the nationalization of the railways in this country, which some believe will be inevitable in the end.

As an alternative to governmental ownership and control the great railway "Brotherhoods," made up of engineers, firemen, trainmen, etc., of the railways have proposed a plan for the running of the railways by the employees known as the "Plumb Plan" which, however, has not attracted much support outside of labor circles.

## Capitalistic Monopolies

Capitalistic monopolies are those gigantic business organizations whose monopoly power grows out of the large aggregations of capital which they control. Typical examples are the United States Steel Corporation, the big meat packers, the Standard Oil Company, etc. These combinations constitute the "trusts" more strictly so called.

In the main the big trusts are the product of the last thirty years.

What lay behind this trust development? Without doubt a considerable number of the trusts were organized by men in the industries concerned who were influenced by the possibilities of eliminating the wastes of competition as well as by the opportunities for monopoly profits. But most of the combinations were the result of "promoters," who had no stake in the industry itself, but who saw the chance for a splendid profit for themselves in getting a combine organized, underwritten and floated.

The development of the great industrial combinations did not fail to arouse popular feeling and opposition. The trusts were charged with raising prices, with ruthlessly and unfairly stamping out competition, with issuing great quantities of watered stock and with corrupting politics and public administration to further their own concerns.

On the other hand the organizers of trusts claimed that they were effecting real economies, greatly reducing overhead expenses, and fluctuation of seasonal production, eliminating cross freights and expensive, competitive advertising, specializing the plants themselves and were more successfully handling by-products.

Very early, however, attempts were made at suppression. The early trusts were proceeded against as being contracts in restraint of trade and soon the common law was reinforced by statutory enactment.

In 1890 Congress enacted the famous Sherman Anti-Trust Law. This was a short law which in general terms made unlawful contracts and combinations in restraint of trade and which provided penalties for violations. In the first Roosevelt administration, however, new life was given to the law and prosecutions of trusts became numerous. This did not heighten President Roosevelt's popularity among "big business" interests. The trust issue figured more and more largely in national political campaigns. Finally in 1912, three definite points of view were championed by particular political groups. The Republicans favored "trust busting." The Progressives favored "regulation," accepting monopoly as an inevitable and desirable outcome. The Democrats took a middle position. With Wilson's election this policy prevailed, and in the Clayton and the Federal Trade Commission acts the effort was made to rebuild the foundations of a new economic freedom. Then came the Great War with a concentration of energies upon war activities. The trust questions as well as most other purely domestic questions were engulfed in a sea of international questions.

This excellent study of Trusts and Monopolies is but a small part of the Basic Course in Economics prepared by the organized credit men of the United States.

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# THE CREDIT MONTHLY

FOUNDED 1898



EDITOR

WILLIAM WALKER ORR

## Insurance Rates Can Be Reduced

THE insurance rate can be reduced. There is not a city or town of which this is not true. It is only a question of meeting the conditions. These conditions are, as a rule, simple enough to understand, though usually the road that must be traversed to comply with them is discouragingly long and steep. A leader must arise who is undaunted by difficulties and delays.

Indianapolis and Cincinnati are among the few cities blessed with such leaders. Portland, Oregon, also has developed such a man. The results of their labors are being enjoyed, and will continue to be enjoyed year after year, unless, by pure carelessness, conditions are allowed to slip back to the place from which the start was made.

Walter Bagehot's dictum, "The statesman is likely to be most useful to the community when he combines common ideas and uncommon ability," applies to the statesmen of fire protection as much as to the kind Bagelot had in mind.

There is nothing extraordinary about the idea of fire prevention and loss reduction. The betterments that must be made to secure them and their sequel—lower rates—require uncommon enthusiasm, uncommon persistency, uncommon clearness of vision and uncommon ability to win public confidence and support. Possessed of them and actuated by devotion to the public good, one man can call about him others and together they can bring about changes in their community that will bring lower insurance rates in the enjoyment of which all their fellows will share.

## Character, Capacity, Capital and—Coverage

ANOTHER "C" has been suggested as constituting the basis of credit. To the original Character, Capacity and Capital is now added Coverage. With this suggestion few credit men will find fault for they recognize that Coverage is fundamental in protecting a credit risk.

Coverage as a credit feature comprehends not only fire coverage but life and other forms of insurance the importance of which is being emphasized to the merchants of the country daily through the standard property forms of the National Association of Credit Men.

The credit man looks for signs that point to stability in the extension of credit. If insurance against those various hazards, from which the prospective debtor is likely to suffer, have been neglected, if he shows an inclination to have his creditors lose with him through disaster against which, if he were careful and thoughtful he would insure, the credit man will either refuse to take the risk or will put restrictions upon the credit, which, had there been proper coverage, he would have been glad not to impose.

The credit man recognizes the importance of scattering his risks and he wants those with whom he does business and to whom he extends credit to secure for themselves the application of the principle of scattering the risk so far as that application is feasible.

## Not the Property, but the Owner Is Insured

THE credit man's best work is done when he points out to his customers the road they must take and the things they must do to establish their credit standard.

Similarly, the insurance man's best work is done when he points out to the policy holder the importance of ample insurance coverage and how vital it is that the contract of insurance—for it is a two sided contract—contains the special stipulations that apply to the property he desires to cover.

There is no form of written contract that is so common as the insurance contract. Besides the large number of insurance agreements entered into by our business organizations all over the country,

there is hardly a head of a family who feels that he can take the chance of a fire loss without the protection of insurance. He knows that the insurance policy may stand between him and a new start from the very bottom, all his accumulations of a life having disappeared.

The trouble, however, is that the buyer of insurance too often fails to think of the insurance policy as an agreement entered into by the insurance company that is a written understanding imposing upon the insured definite terms which he must abide by, if the insurance company is to be legally held.

As pointed out in the three little books written in clearest fashion by the Glens Falls, the fire insurance policy does not insure a property. By it, the company enters into an agreement with the owner to indemnify him for loss under certain conditions and on the terms set out in the policy agreement. If this one point of insurance were better understood, (namely, that not the property but the policy holder is being insured,) more attention would perhaps be given to the terms of the contract and there would be fewer rude awakenings when the policy is presented on the loss claim.

## Next Convention at Atlanta

THE Southeast is to have the next Annual Convention of the National Association of Credit Men, according to the decision of the National Directors at their annual meeting.

There was strong competition for the Convention from the Buffalo Association of Credit Men and the Providence Association of Credit Men; but when the decision had been made, both of these associations declared through their spokesmen that they would send to Atlanta the biggest delegation that was ever sent to the Convention. Director H. S. Collinsworth, Gramling-Spalding Co., and Pres. H. E. Moody, of the Atlanta association, attended the National Directors' Meeting at Atlantic City and made the arguments which prevailed with the Directors. The Atlanta association has a membership of approximately 300.

Conventions have been held in Baltimore, Cincinnati, Louisville, Memphis and New Orleans, but this is the first visit of the credit men as an organization, to the center of the great Southeast.

## On October 21, The Autocar Company Completed Its Twenty-fifth year

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